

Price Waterhouse Chartered Accountants LLP

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of HSBC InvestDirect Financial Services (India) Limited

Report on the Audit of Financial Results

Opinion

1. We have audited the statement of financial results of HSBC InvestDirect Financial Services (India) Limited (hereinafter referred to as the 'Company') for the year ended March 31, 2021 and the Balance Sheet as at the year ended on that date (hereinafter referred to as the "financial results"), attached herewith, being submitted by the Company pursuant to the requirements of paragraph 1.2 of Annexure II of circular no. SEBI/HO/DDHS/DDHS/CIR/P/2019/115 dated October 22, 2019 (as amended by circular no. SEBI/HO/DDHS/DDHS/CIR/P/2019/167 dated December 24, 2019) issued by the Securities and Exchange Board of India ("SEBI") (together referred as "Listing Regulations").
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial results:
 - i) are presented in accordance with the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in this regard; and
 - ii) give a true and fair view in conformity with the recognition and measurement principles laid down in the applicable accounting standards prescribed under Section 133 of the Companies Act, 2013 (the "Act") and other accounting principles generally accepted in India, of net profit and other comprehensive income and other financial information of the Company for the year ended March 31, 2021 and the Balance Sheet as at that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Results' section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our opinion.

Board of Directors' Responsibilities for the Financial Results

4. These financial results have been prepared on the basis of the annual financial statements. The Company's Board of Directors are responsible for the preparation and presentation of these financial results that give a true and fair view of the net profit and other comprehensive income and other financial information of the Company and the Balance Sheet in accordance with the recognition and measurement principles laid down in the Indian Accounting Standards prescribed under Section 133 of the Act read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with the Listing Regulations. The Board of Directors of the Company are responsible for maintenance of

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Price Waterhouse (a Partnership Firm) converted into Price Waterhouse Chartered Accountants LLP (a Limited Liability Partnership with LLP identity no: LUPIN AAC-5001) with effect from July 25, 2014. Post its Conversion to Price Waterhouse Chartered Accountants LLP, its ICAI registration number is 012754N/N500016 (ICAI registration number before conversion was 012754N)

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To the Members of HSBC InvestDirect Financial Services (India) Limited
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adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the financial results by the Directors of the Company, as aforesaid.

5. In preparing the financial results, the Board of Directors of the Company are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
6. The Board of Directors of the Company are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Financial Results

7. Our objectives are to obtain reasonable assurance about whether the financial results as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial results.
8. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial results, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls. (Refer paragraph 11 below)
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
 - Conclude on the appropriateness of the Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial results, including the disclosures, and whether the financial results represent the underlying transactions and events in a manner that achieves fair presentation.
9. We communicate with those charged with governance of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matters

10. The Financial Results include the results for the half-year ended March 31, 2021, which are neither subject to limited review nor audited by us.
11. The financial results dealt with by this report have been prepared for the express purpose of filing with National Stock Exchange of India Limited. These results are based on and should be read with the audited financial statements of the Company for the year ended March 31, 2021 on which we issued an unmodified audit opinion vide our report dated June 28, 2021.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

Russell I Parera
Partner
Membership Number: 042190

UDIN: 21042190AAAACX5632

Mumbai
June 28, 2021

HSBC InvestDirect Financial Services (India) Limited
Statement of Financial Results as at and for the year ended March 31, 2021

Balance sheet as at March 31, 2021

(All amounts in INR thousands, unless otherwise stated)

Particulars	As at March 31, 2021 (Audited)	As at March 31, 2020 (Audited)
ASSETS		
Financial assets		
Cash and cash equivalents	1,476	344,019
Bank balance other than cash and cash equivalents	405,313	263,108
Loans	5,967,056	6,019,694
Investments	110,080	1,478,479
Other financial assets	14,713	154,729
Non-financial assets		
Current tax assets (Net)	152,426	141,689
Deferred tax assets (Net)	2,630	2,980
Property, plant and equipment	3,564	1,889
Intangible assets under development / CWIP	3,400	3,400
Other non-financial assets	3,452	3,829
Total assets	6,664,110	8,413,816
LIABILITIES AND EQUITY		
LIABILITIES		
Financial liabilities		
Payables		
(I) Trade payables		
(i) total outstanding dues of micro enterprises and small enterprises	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	11,463	9,367
Debt securities	247,439	2,220,322
Borrowings (other than debt securities)	1,650,847	1,620,000
Other financial liabilities	9,638	794
Non-financial Liabilities		
Current tax liabilities (Net)	15,311	10,686
Provisions	17,038	18,637
Other non-financial liabilities	2,607	2,627
EQUITY		
Equity share capital	1,462,847	1,462,847
Other equity	3,246,920	3,068,536
Total equity	4,709,767	4,531,383
Total liabilities and equity	6,664,110	8,413,816

See accompanying notes to the financial results

HSBC InvestDirect Financial Services (India) Limited
Statement of Financial Results as at and for the year ended March 31, 2021

Statement of Profit and Loss for the year ended March 31, 2021

(All amounts in INR thousands, unless otherwise stated)

Particulars	Half-year ended		Year ended	
	Mar 31, 2021 (Unaudited) (Refer Note 5)	Mar 31, 2020 (Unaudited) (Refer Note 5)	Mar 31, 2021 (Audited)	Mar 31, 2020 (Audited)
Revenue from operations				
Interest income	225,404	331,733	460,329	688,675
Reversal of impairment on financial instruments	5	28,384	5	28,384
Net gain on fair value changes	8,212	5,729	30,187	6,836
Total revenue from operations	233,621	365,846	490,521	723,895
Other income	5	4	8	24,281
Total income	233,626	365,850	490,529	748,176
Expenses				
Finance costs	68,403	138,870	160,908	295,719
Employee benefits expenses	19,840	20,933	40,143	40,554
Impairment on financial instruments	(26)	(2,096)	-	-
Depreciation and amortisation	438	780	1,112	1,764
Others expenses	28,710	26,842	49,546	51,294
Total expenses	117,365	185,329	251,709	389,331
Profit before tax	116,261	180,521	238,820	358,845
Income tax expense:				
- Current tax	26,998	37,096	60,396	85,693
- Deferred tax	450	9,131	350	9,624
Total tax expense	27,448	46,227	60,746	95,317
Profit for the year	88,813	134,294	178,074	263,528
Other comprehensive income				
i) Items that will not be reclassified to profit or loss				
- Remeasurements of post-employment benefit obligations	805	(941)	414	(782)
ii) Income tax relating to items that will not be reclassified to profit or loss	(202)	237	(104)	197
Other comprehensive profit/(loss) for the year	603	(704)	310	(585)
Total comprehensive income for the year	89,416	133,590	178,384	262,943
Earnings per equity share (Nominal value of Rs. 10 per share)				
- Basic and Diluted (Rs.)	0.61	0.92	1.22	1.80

See accompanying notes to the financial results

HSBC InvestDirect Financial Services (India) Limited
Statement of Financial Results as at and for the year ended March 31, 2021

(All amounts in INR thousands, unless otherwise stated)

Notes:

- 1 The above results have been prepared pursuant to the requirement of paragraph 1.2 of Annexure II of circular no. SEBI/HO/DDHS/DDHS/CIR/P/2019/115 dated October 22, 2019 (as amended by circular no. SEBI/HO/DDHS/DDHS/CIR/P/2019/167 dated December 24, 2019) issued by the Securities and Exchange Board of India ("SEBI"). The financial results have been prepared in accordance with recognition and measurement principles laid down in accordance with the Indian Accounting Standard 34 "Interim Financial Reporting" ('Ind AS 34') as prescribed under Section 133 of the Companies Act, 2013 ('the Act') read with Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and the other accounting principles generally accepted in India. Any application guidance / clarification / directions issued by the Reserve Bank of India or other regulators are implemented as and when they are issued or applicable.
- 2 The above results have been reviewed and recommended for Board approval by the Audit Committee and approved and taken on record by the Board of Directors at the meeting held on June 28, 2021.
- 3 The spread of COVID-19 has severely impacted businesses around the globe. In many countries, including India, there has been severe disruption to regular business operations due to lock-downs, disruptions in transportation, supply chain, travel bans, quarantines, social distancing and other emergency measures.

The Indian Government, the Reserve Bank of India and other regulators have announced various measures and relaxations acknowledging the current situation to ensure that there is enough liquidity in the hands of market participants and provided moratoriums to the borrowers in terms of their repayments to the financial institutions.

The Company is in the business of providing loans against securities and raising monies through borrowings. The Company has made an assessment of its liquidity position applying stress scenarios. The Company believes that it has taken into account all the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial statements. The Company has further assessed the recoverability and carrying value of its assets comprising Loans and advances, Investments, fixed assets, other receivables as at balance sheet date, and has concluded that there are no material adjustments required in the financial Statements. However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration. The Company will continue to monitor any material changes to future economic conditions.

- 4 In accordance with the RBI Circular No. RBI/2021-22/17 DOR.STR.REC.4/21.04.048/2021-22 dated April 7, 2021 and the methodology for calculation of interest on interest based on guidance issued by Indian Banks' Association, the Company has put in place a board approved policy to refund / adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020. The Company has estimated the said amount and made a provision in the financial statements for the year ended March 31, 2021. As on March 31, 2021, the Company holds a specific liability of Rs. 831 (in 000's) which is debited to interest income to meet its obligation towards refund of interest on interest to eligible borrowers as prescribed by the RBI.
- 5 The figures for the six months ended March 31, 2021 and March 31, 2020 are the balancing figures between audited figures in respect of the full financial year and the year to date figures upto the first six months ended of the relevant financial year.
- 6 Figures for the previous period/year have been regrouped wherever necessary to confirm to current period/year presentation.

For and on behalf of the Board of Directors of
HSBC InvestDirect Financial Services (India) Limited

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Digitally signed
by SHANTANU
SHANKAR
Date:
2021.06.28
19:56:37 +05'30'
Shantanu Shankar
Managing Director
(DIN 08054929)

We, Price Waterhouse Chartered Accountants LLP, have signed this statement for identification purposes only and this Statement should be read in conjunction with our report dated Jun 28, 2021.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

Russell I Parera
Partner
Membership No: 042190

Mumbai
June 28, 2021