

**By Hand delivery**

March 24, 2015

To  
The Independent Directors

**Sub: Your appointment as an Independent Director of HDFC Sales Private Limited**

**Ref: Companies Act, 2013 and the Rules made thereunder**

Dear Sirs

We are pleased to inform you that the Board of Directors of HDFC Sales Private Limited at its meeting held on Tuesday, March 24, 2015, have approved your appointment as a Director of the Company with effect from the said date. The said appointment being under Section 161 of the Companies Act, 2013, you shall be appointed as an Additional Director to hold office as such, upto the ensuing Annual General Meeting of the Company.

Further, you may also note that in light of you meeting the criteria prescribed under Section 149 (6) of the Companies Act, 2015, you shall be categorised as an Independent Director of the Company.

This letter of appointment setting the terms and conditions thereof including remuneration is being issued to you, in terms of Clause IV (4) of Schedule IV to the said Act.

The aforesaid Schedule IV *inter alia* covers the guidelines of professional conduct, roles, functions, duties, etc., of the Independent Directors. Further, Section 166 of the Companies Act, 2013 provides for the Duties of Directors of a company. The extract of the relevant provisions of the Companies Act, 2013 along with the Schedule is enclosed as Annexure A for information.

Please find enclosed as Annexure B, a brief note on the profile of the Company comprising details of the Board of Directors and operations of the company.

Further, you shall also endeavour to provide necessary disclosures under applicable laws and adhere to the various Codes and Policies formulated and adopted by the Company from time to time.

Please note that for all the functions discharged by you, the Company shall remunerate you in the manner as maybe decided by the Board or Members of the Company, from time to time, subject to the limits set under the applicable laws.

Further, the Company shall reimburse you for all reasonable out-of-pocket expenses necessarily incurred for attending the various meetings of the Board / Committee / Members and for discharging the fiduciary obligations towards the Company.

In the event that your circumstances seem likely to change and which give rise to a conflict of interest or, when applicable, circumstances that might lead the Board to revise its judgment that you are independent, the same may be disclosed to the Company.

Looking forward to your continued support and guidance.

Thanking you once again.

With kind regards,

Sd/-

**M. Ramabhadran**  
**Director**

Encl: Annexure A  
Annexure B

EXTRACTS OF THE RELEVANT PROVISIONS OF THE COMPANIES ACT, 2013

SECTION 166 – DUTIES OF DIRECTORS

- (1) Subject to the provisions of this Act, a director of a company shall act in accordance with the articles of the company.
- (2) A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.
- (3) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- (4) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
- (5) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
- (6) A director of a company shall not assign his office and any assignment so made shall be void.
- (7) If a director of the company contravenes the provisions of this section such director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

## **SCHEDULE – IV – CODE FOR INDEPENDENT DIRECTORS**

*The Code is a guide to professional conduct for independent directors. Adherence to these standards by independent directors and fulfilment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors.*

### **I. Guidelines of professional conduct:**

An independent director shall:

- (1) Uphold ethical standards of integrity and probity;
- (2) act objectively and constructively while exercising his duties;
- (3) exercise his responsibilities in a *bona fide* manner in the interest of the company;
- (4) Devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- (5) Not allow any extraneous considerations that will vitiate his exercise of objective Independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
- (6) Not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (7) Refrain from any action that would lead to loss of his independence;

- (8) Where circumstances arise which make an independent director lose his Independence, the independent director must immediately inform the Board accordingly;
- (9) Assist the company in implementing the best corporate governance practices.

## **II. Role and functions:**

The independent directors shall:

- (1) Help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- (2) Bring an objective view in the evaluation of the performance of board and management;
- (3) Scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- (4) Satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- (5) Safeguard the interests of all stakeholders, particularly the minority shareholders;
- (6) Balance the conflicting interest of the stakeholders;
- (7) Determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;

- (8) Moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

### **III. Duties:**

The independent directors shall —

- (1) Undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- (2) Seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- (3) Strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- (4) Participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (5) Strive to attend the general meetings of the company;
- (6) Where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
- (7) Keep themselves well informed about the company and the external environment in which it operates;

- (8) Not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (9) Pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
- (10) Ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
- (11) Report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- (12) Acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- (13) Not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

**IV. Manner of appointment:**

- (1) Appointment process of independent directors shall be independent of the company management; while selecting independent directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.
- (2) The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.

- (3) The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfils the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management.
- (4) The appointment of independent directors shall be formalised through a letter of appointment, which shall set out :
- (a) The term of appointment;
  - (b) The expectation of the Board from the appointed director; the Board-level committee(s) in which the director is expected to serve and its tasks;
  - (c) The fiduciary duties that come with such an appointment along with accompanying liabilities;
  - (d) Provision for Directors and Officers (D and O) insurance, if any;
  - (e) The Code of Business Ethics that the company expects its directors and employees to follow;
  - (f) The list of actions that a director should not do while functioning as such in the company; and
  - (g) The remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.
- (5) The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the company by any member during normal business hours.



- (6) The terms and conditions of appointment of independent directors shall also be posted on the company's website.

**V. Re-appointment:**

The re-appointment of independent director shall be on the basis of report of performance evaluation.

**VI. Resignation or removal:**

- (1) The resignation or removal of an independent director shall be in the same manner as is provided in sections 168 and 169 of the Act.
- (2) An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within a period of not more than one hundred and eighty days from the date of such resignation or removal, as the case may be.
- (3) Where the company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

**VII. Separate meetings:**

- (1) The independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management;
- (2) All the independent directors of the company shall strive to be present at such meeting;
- (3) The meeting shall:
  - (a) Review the performance of non-independent directors and the Board as a whole;

- (b) Review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
- (c) Assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

**VIII. Evaluation mechanism:**

- (1) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
- (2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

HDFC Sales is a wholly owned subsidiary of HDFC Ltd & was incorporated on 23<sup>rd</sup> January, 2004

The company has been floated as a distribution arm of HDFC with an objective of offering doorstep service to prospective clients of HDFC group. HDFC Sales offers financial management solutions to individuals encompassing among other products like Home Loans, Life Insurance, Mutual Funds, Fixed Deposits and property Solutions.

**Home Loans:** HDFC Sales is present in 148 locations across the country with 109 offices and over 4600 employees. HSPL sources 49% HDFC Ltd's disbursement, and is their single largest contributor till date. Last financial year HSPL had sourced 47% HDFC Ltd's disbursements. We currently have over 3200 sales employees in the Mortgage Sales division.

At HDFC Sales we value integrity, commitment, teamwork and excellence in customer service. Our most valuable assets are our Employees. We are truly proud that today we not only have a highly motivated team of sales personnel, but we also have the lowest employee turnover rate in the Industry

### Mortgages

We have over 3200 employees in the Mortgage vertical at present.

Each sales officer goes through a 25 day training program. This includes a 7 day classroom training which educates the new recruit on the product, industry, sales skills etc.

The next 18 days are spent in; On - The - Job Training, where the new recruit is exposed to the market and is taught how to handle multiple situations on a real time basis. A geographical area is identified & is mapped to the employee and he is also introduced to the existing sources in that area. The sales officer then maps the area & ensures that he meets all brokers/ builders/ CA's etc within his geographical area.

Using this philosophy we are able to penetrate the market and ensure maximum coverage.

### Lead Generation

There are 3 main sources for Lead Generation; sourced from brokers, builder booking & leads sourced online.

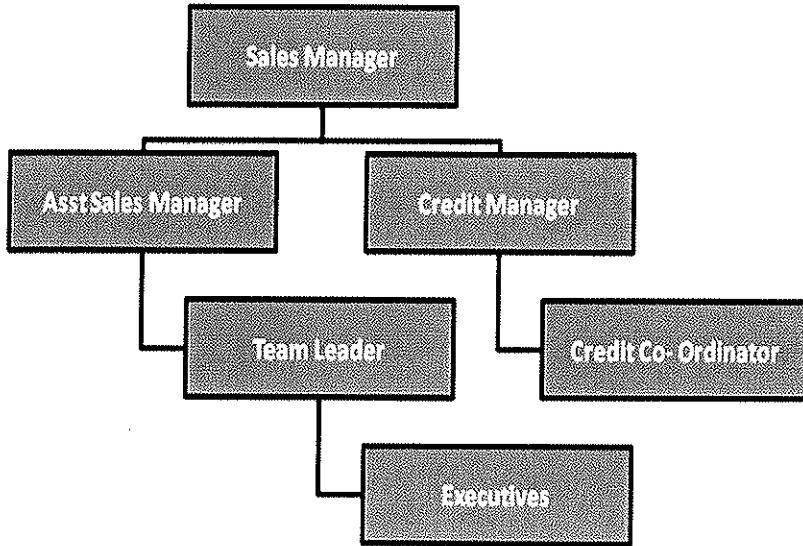
Sources	Percentage
Associates / sourced from brokers	68%
Non associates / builder booking	15%
Leads sourced online	15%

Associates consists of brokers, builders, real estate agents, CA's, builder sales staff, etc., who have been given a unique identification code by HSPL. These associates are paid a percentage commission on all disbursements which have been referred by them.

The only difference between a Non associate & an Associate is that the Non associate does not get paid any commission on disbursements referred by them.

15% leads are sourced from online sites through HDFC Ltd. banners & advertisements.

**Branch Structure**



Branch	FOS count		Recd Nos		Disb (Rs in cr)		Performing Employee %	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
Ahmedabad	73	69	4927	5219	590.76	611.56	61%	67%
Bangalore	130	150	6651	6753	1785.34	1786.74	63%	55%
Bhubaneshwar	25	27	879	1137	152.57	153.15	59%	47%
Chandigarh	82	88	5508	6461	765.02	910.50	73%	74%
Chennai	255	273	14860	15765	3238.31	3523.20	73%	75%
Coimbatore	46	57	2523	3440	369.46	513.13	68%	66%
Dehradun	35	41	2304	2971	240.48	268.95	64%	65%
Delhi	335	316	22019	19362	4440.00	4488.30	64%	66%
Guwahati	20	16	996	961	124.82	130.17	63%	78%
Hyderabad	125	124	5653	6538	1163.59	1218.25	61%	68%
Indore	71	79	4707	5323	529.06	622.17	69%	67%
Jaipur	87	92	8675	9949	994.94	1148.62	81%	83%
Kochi	120	133	7441	7678	945.28	1004.20	56%	51%
Kolkata	62	59	2758	2964	529.80	513.00	61%	62%
Lucknow	67	71	4913	4581	534.30	550.90	71%	63%
Mumbai	219	238	13367	16680	2367.99	3329.28	60%	66%
Nagpur	35	37	1873	2076	269.23	328.80	75%	72%
Nashik	61	79	4822	5072	507.75	613.80	63%	58%
Patna	6	9	126	303	21.18	41.24	35%	45%
Pune	177	217	11459	13374	2136.21	2745.52	79%	72%
Raipur	25	35	2325	2284	234.05	277.55	70%	56%
Surat	28	35	1292	1951	140.56	234.96	47%	58%
Trivandrum	40	55	3286	4541	313.32	409.86	70%	64%
Vadodara	49	49	4406	5127	484.93	563.90	73%	80%
<b>Grand Total</b>	<b>2173</b>	<b>2345</b>	<b>137770</b>	<b>150510</b>	<b>22878.95</b>	<b>25987.77</b>	<b>67%</b>	<b>66%</b>

### Lead Management System (LMS)

The Lead Management System (LMS) is the team helps in identifying and converting of potential leads. This division has been set up to provide additional support to the sales team. As of march 2015 there are 150 Loan Officers, 20 Support Coordinators & 6 Quality Analyst.

In a quarter the LMS team contacts over 2lac potential leads. On an average 20% of these leads are converted to viable customers.

This system can be understood well in three Stages, but before that;

It can be seen in two aspects

1. A CRM Software
2. Outbound Call center

LMS is an HDFC internally developed software CRM based on Oracle platform.

People:

- a. Loan Officers
- b. Support Coordinators
- c. Quality Analysts
- d. LMS Supervisors
- e. Dialer Manager

### Stage 1: (INPUT)

All leads (Any suspect interested in a real estate transaction) are captured in the LMS with the minimum information of suspect listed below

1. Name
2. Phone Number
3. Source
4. Location

### Method of Input:

There are two broadly classified channels of leads

- A. HDFC Ltd: Constitutes of 52% of leads captured in the LMS  
These are leads generated through Online Media, Marketing Activities, and Call Center & Corporate Associates.  
These leads are automatically pushed in to HSPL LMS by HDFC.
- B. HDFC Sales: Constitutes to 48% of total leads captured in the LMS  
These are leads generated on the field by the Sales officers through Real Estate Brokers, CA's, Builders, Contractors and References.  
These leads are collected daily in a prescribed format and uploaded manually by LMS Support Coordinator.

### Stage 2: Lead Processing

Following Hierarchies play a critical role in the Lead processing

1. Loan Officer: In lay man terms known as Tele-Callers, we call them Loan Appraisers or Loan Officers.  
Job: Convert the Suspect → Prospect → Borrower  
Method:
  - A scripted (under quality control) conversation is adopted between the loan officer and the suspect to appraise.
  - Schedule an appointment with the Sales Officer to meet the Suspect.
  - Follow up with the Suspect till Conclusion (Conversion or Closed).

#### Appointment Criteria

1. Eligible as per HDFC norms
  2. Suspect Willing to meet HDFC Sales representatives
  3. Need Analysis.
2. Quality Analyst:  
Job: Call Monitoring, Status Updates, Feedback and Training.
  3. LMS Supervisors:  
Focus on lead conversion ratios with the help of People, Process and Technology.

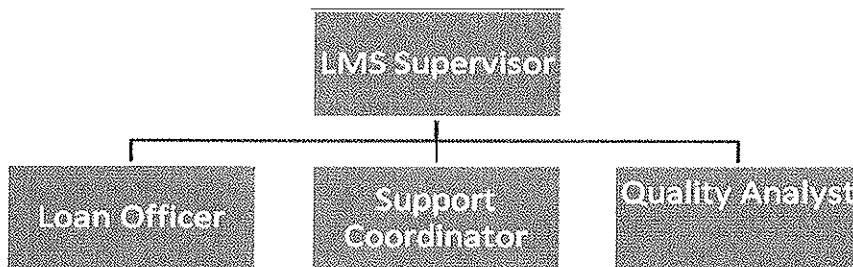
### Stage 3: Output

The result of set processes would lead to:

- a. Appointment for the Sales Officer
- b. Application Pick up and Login for Disbursement.

### Reporting Structure in LMS

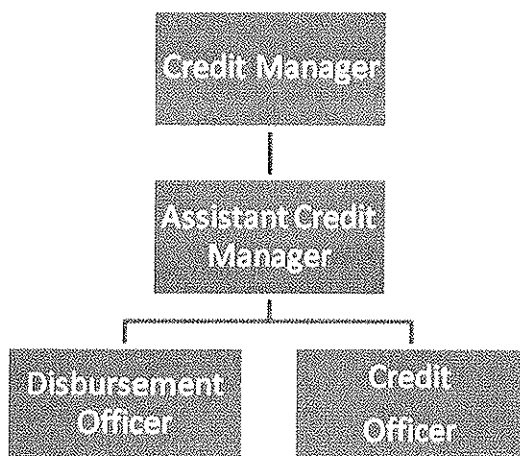
LMS Supervisor has the following Hierarchy reporting:



**Credit Risk Assessment**

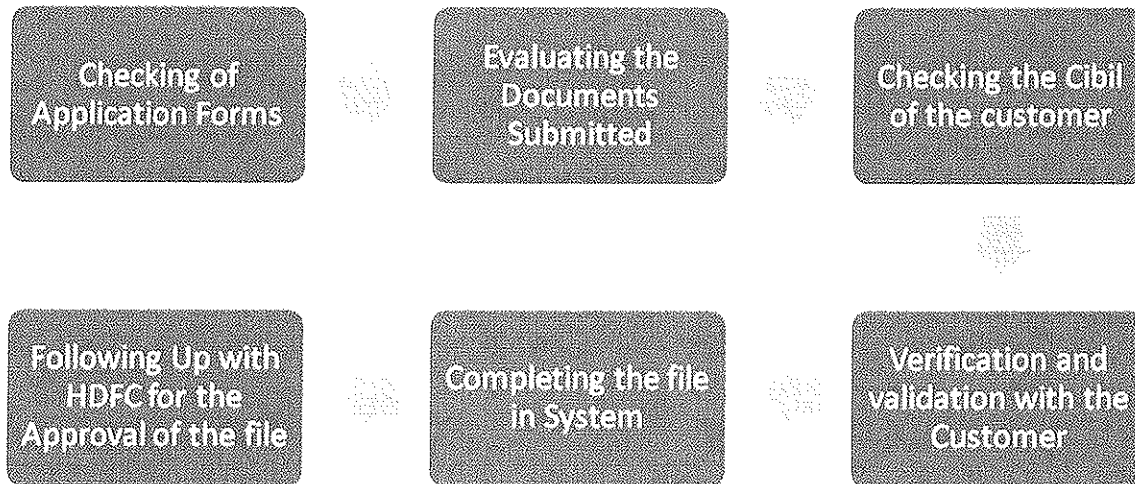
Credit Department has a major role in appraisal of Home Loans files. It acts as a support function to the Sales Department.

**Credit Risk Assessment Team Hierarchy**



Credit Team is responsible for appraising the files within 3-4 days. They are expected to maintain the accuracy of 80% in file completeness. Credit team undertakes the following tasks:

**Work Flow of Credit Team**



### Financial Services

HDFC Sales Pvt Ltd, Financial services, offers multiple financial products and services to home loan customers to ensure family safety and independence. Partnering with various group companies as mentioned below financial services aims to offers host of products and services to its home loan customers arriving at an optimum investment mix that will help them cover liabilities and achieve financial goals.

- HDFC Life : Life Insurance , Term Plans, ULIPs etc
- HDFC ERGO : General Insurance , Combined Critical Illness Product
- HDFC Deposits
- HDFC Mutual fund

#### **Insurance:**

##### **A) Group Products –**

HDFC Sales Pvt Ltd. has a special arrangement with the insurance group companies **HDFC Life** and **HDFC ERGO** offering a plan which lightens the repayment burden of the borrower's family in case of death, illness or any of the unforeseen events.

Company	Group Product
<b>HDFC Life</b>	<p><b>Credit Protect Plus (CP+):</b> a tailor made insurance policy for members of financial institutions (HDFC Ltd. / HDFC Sales Pvt. Ltd.) In event of death, disability or illness of the insured members, it will protect their family from the burden of repayment of the outstanding loan to the financial institution. In the event of the claim of the constant cover, It is not linked to the principal outstanding and upon the death of the borrower, 100% of the Sum Assured will be paid out.</p> <p><b>Sum Assured:</b> HL + Insurance funding amount (80%). Customer can opt for self funding too (LCR/ LTV issues).</p> <p><b>Premium:</b> Calculated basis the age of the customer and tenure of the home loan.</p>



<b>HDFC ERGO</b>	<p><b>Home Suraksha Plus (HSP):</b> A unique risk solution that offers quadruple protection to the customers for loan amount or principal outstanding in the event of <b>Accidental death, Permanent total disability, Diagnosis of a critical illness and Loss of job, Home/property and contents, child education insurance.</b></p> <p><b>Sum Insured:</b> HL + Insurance funding amount (80%). Customer can opt for self funding too (LCR/ LTV issues).</p> <p><b>Premium:</b> Calculated basis the age of the customer and tenure of the home loan.</p> <p><b>Tenure:</b> 5 years , to be renewed periodically</p>
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Any of the group products **CP+ or HSP** can be availed by home loan customers until final disbursement of the home loan by paying premium which can be funded by HDFC Ltd.

### Group Product Sourcing Methodology:

- The group products; **CP+ & HSP** are insurance attachments to existing home loan customers. The home loan customers are offered these services with the aim to protect the liabilities which arise on availing a home loan.
- Home Loan executive(HLE)meets the customer & explains the HDFC home loan product in detail and assists him in completing his home loan formalities. Financial Service Associates (FSA) are mapped to Home loan executives who refer the leads towards insurance attachments. The FSA then pitches the insurance group products to the home loan customer. FSA to HLE mapping ratio is 1:6, ( i.e 30 1<sup>st</sup> disbursements numbers per FSA)
- The group products are offered to customers through other channels like – customers walk – in at HDFC Ltd Service Centers and DSA. The financial sales team member of the insurance vertical in HDFC Sales is seated in the lobby of HDFC branches with permission of the HDFC Branch Manager and assists the HDFC branch team in selling insurance to the walk in customers and / or existing customers walking in for servicing.
- The FSA /LSE executive is introduced to the customer at either at the time of Login or Sanction of the Home Loan; before final disbursement. If the loan is not yet sanctioned then the insurance funding can be added in the Home loan requested. If the Home loan is already sanctioned then a Loan Enhancement Form (LEF) needs to be filled. The LEF is required to increase the loan to fund the premium. In case of fully disbursed loan customer the Sum Assured offered will be the principal outstanding Home Loan amount. In case of a partly disbursed Home loan, the Sum Assured offered will be the amount of loan sanctioned.
- FSA / LSE are responsible to ensure maximum attachment to cover the home loan book size. They are measured by the penetration percentage over the home loan first disbursals.
- Once the insurance product is decided and attached the sales executive has to ensure that the application form is signed and logged in at the HDFC Sales Hub office; who in turn helps in completing & processing the file. (i.e. in case of CP+ then the information is entered in the CP+ software, in case of HSP since the module is under development; the form and the cheque with all details are shared with the local representatives (CAM's) who inwards and has the policy booked.)

- In F.Y 2014 – 15 , Financial Services penetration for the 2 group products :
  - **CP +** : In F.Y.'14–15 Penetration has grown by 11 %, i.e 23.7% vs. 21.3% of F.Y.'13 – 14
  - **HSP** : In F.Y.'14 – 15 Penetration has grown by 9.8%, i.e. 21.6% vs. 19.6 % of F.Y.'13 -14

Details	F.Y 2014 - 15		F.Y 2013- 14	
	CP +	HSP	CP +	HSP
<b>Penetration</b>	23.70%	22%	21.30%	19.60%
<b>No. of Policies</b>	23507	21390	21840	20133
<b>Premium Value Rs.Lacs</b>	9959	12012.5	8681.5	10960.9

## B) Individual Products

In addition to insurance group products which cover the home loan book size, financial services offers various open market insurance options to its customers ( life & general insurance both) through its services providers **HDFC Life and HDFC ERGO**.

### a) HDFC Life Individual Products:

- In addition to conventional life insurance, today's uncertain world requires a wider range of solutions that don't just cover life, but also give excellent investment options – like term plans, ULIPs, traditional life insurance policies etc.
- A few of HDFC Life open market products offered are: HDFC Life Click to protect plus, HDFC life progrowth plus, HDFC life progrowth Flexi, HDFC Life Sanchay etc.
- The open market insurance can be cross sold to any of the home loan customers, irrespective of the first disbursements, i.e for the cases where the home loan files were disbursed and insurance not yet attached the financial services sales team (FSA/ LSE) as per customer profiling offer life investment plans – term plan, ULIPs etc. Open market insurance can be offered to non – home loan customers too.
- In F.Y 2014 – 15 , Financial Services Open market EPI has grown to 44Cr. Vs. 32.1 Cr.; 37% growth.

OM HDFC Life Details	F.Y 2014 - 15	F.Y 2013- 14
<b>No. of Policies</b>	108.23	<b>11640</b>
<b>EPI Rs. Lacs</b>	<b>4404.9</b>	<b>3217.0</b>

### b) HDFC ERGO Individual Product ( General Insurance)

Financial Services offers the medical health plans to the customers as open market sourcing for general insurance. **HDFC Ergo offers – Health Suraksha plan and Health Suraksha plus with regain and enhanced benefit has been introduced in the 3<sup>rd</sup> quarter of FY 2014 – 15.**

**Fixed Deposit:**

Financial Services offers fixed deposit services to its customers, it need not be home loan customers only. The financial services sales team member's offers / cross sells fixed deposit services basis the customers need and investment mix. The respective sales team members complete the Fixed Deposit form and shares with HDFC Ltd.

With effect from December 2014 LSE's cannot source Fixed Deposits.

In F.Y. 2014 - 15, Fixed Deposit business in amount has seen a growth of 36.33% in comparison to FY'14.

Deposit Details	FY 2014 - 15	FY 2013 - 14
No. of Policies	8017	6868
Value Rs. Lacs	17598.7	12909.1

**Mutual Fund:**

No mutual fund has been sourced in the F.Y. 2014 -15.

**Hierarchy**

