



# **HDFC Asset Management Company Limited**

A Subsidiary of Housing Development Finance Corporation Limited

FIFTEENTH ANNUAL REPORT 2013-14

## Board of Directors

Mr. Deepak S. Parekh  
**Chairman**

### Directors

Mr. Norman Keith Skeoch  
Mr. James Aird  
Mr. Hoshang Billimoria  
Mr. P. M. Thampi  
Dr. Deepak B. Phatak  
Mr. Humayun Dhanrajgir  
Ms. Renu Sud Karnad  
Mr. Rajeshwar R. Bajaan  
Mr. Keki M. Mistry  
Mr. Vijay Merchant

Mr. Milind Barve  
**Managing Director**

### Auditors

Haribhakti & Co.  
Chartered Accountants

### Bankers

HDFC Bank Ltd.

### Registered Office

“HUL House”, 2nd Floor,  
H. T. Parekh Marg,  
165-166, Backbay Reclamation,  
Churchgate,  
Mumbai 400 020.  
Tel. No. : 022-6631 6333  
Fax No. : 022-2204 4304  
CIN: U65991MH1999PLC123027

## Directors' Report

TO THE MEMBERS

Your directors have the pleasure in presenting the Fifteenth Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2014.

### Financial Results

	For the year ended March 31, 2014 (₹ in Crore)	For the year ended March 31, 2013 (₹ in Crore)
Profit before Tax	<b>522.45</b>	446.82
Provision for Tax (Net Deferred Tax)	<b>164.57</b>	128.06
Short provision of Income Tax for earlier years (net)	<b>0.11</b>	0.01
Profit after Tax	<b>357.77</b>	318.75
Balance brought forward from previous year	<b>590.04</b>	487.15
Profit available for appropriation	<b>947.81</b>	805.90
General Reserve	<b>35.78</b>	31.88
Capital Redemption Reserve	<b>0.14</b>	0.48
Transfer to Corporate Social Responsibility Account	—	—
Buy-back of Equity Shares	—	54.42
Interim Equity Dividend Paid	<b>126.20</b>	111.06
Tax on Interim Equity Dividend Paid	<b>21.45</b>	18.03
Tax on Buyback of Equity Shares	<b>4.20</b>	—
Proposed Equity Dividend	—	—
Tax on Proposed Equity Dividend	—	—
Balance carried to Balance Sheet	<b>760.04</b>	590.03

For the year ended March 31, 2014, the Company posted a net profit of ₹ 357.77 crore as against ₹ 318.75 crore in the previous year. Appropriations from the net profit have been effected as per the table given above.

### Dividend

Your directors paid total interim dividend of ₹ 50/- per equity share during the financial year ended March 31, 2014 i.e. ₹ 24.50/- per equity share in the month of September 2013 and ₹ 25.50/- per equity share

in the month of March 2014 and the interim dividends are confirmed as Final Dividend for the financial year ended March 31, 2014.

### Allotment of Equity Shares

During the financial year ended March 31, 2014, the Company allotted 1,41,500 equity shares having a face value of ₹ 10/- each pursuant to the Employee Stock Options Schemes of the Company.

### Buy-back of Equity Shares

During the financial year, the shareholders of the Company at their

meeting held on January 16, 2014 approved the buy-back of equity shares of the Company from the shareholders of the Company through Tender offer. The buy-back offer was completed within the time limits as prescribed under the Companies Act, 1956 and 1,41,500 equity shares of the Company were bought by the Company under the buy-back offer. The present paid-up capital post the buy-back offer is ₹ 25,24,08,000/-

### Review of Operations

Your Directors are pleased to report that:

The Average Assets under Management (AAuM) during the financial year 2013-14 were ₹ 1,07,554 crore as against AAuM of ₹ 98,375 crore during the financial year 2012-2013, representing an increase of over 9%. HDFC Mutual Fund (HDFCMF) has retained its position during the current year as the largest fund house.

During the year, the total number of accounts managed by HDFCMF is around 44.69 Lacs as on March 31, 2014. The number of Investor Service Centres (ISCs) of the AMC as on March 31, 2014 was 141. ISCs of Computer Age Management Services Pvt. Ltd. (CAMS), the Registrar and Transfer Agent of HDFCMF are Official Points of Acceptance for transactions of HDFCMF Schemes. These offices (219 as on March 31, 2014) supplement the investor-servicing network of your Company. With these offices, your Company services investors in almost 200 cities pan India.

During the financial year, the aggregate assets under investment management /advisory services under Portfolio Management Services were at ₹ 1,366.42 crore as on March 31, 2014. Discretionary and Non-Discretionary Portfolio Management is provided to High Networth Individuals and Corporates on a segregated basis while advisory services are provided to Institutional Investors and Corporates.

Your Company under Portfolio Management Services had offered "HDFC AMC PMS - Real Estate Portfolio - 1" to resident individuals and corporates during 2007-2008. The Company had received net commitments of ₹ 3,831 Crore from 10,168 clients. Your Company has successfully exited investments to the tune of ₹ 2,309.62 Crore till 31st March 2014 and extended the terms of "HDFC AMC PMS - Real Estate Portfolio - 1" for a period one year upon the expiry of sixth anniversary on February 4, 2014.

### New Scheme Launched Under HDFC Mutual Fund

In order to offer more investment options to investors, your Company has launched the following funds during FY 13-14:

**HDFC Capital Protection Oriented Scheme:** It is a close-ended income scheme. As the name suggests, the objective of the scheme is to protect capital of the investor over the tenure of the scheme. It is rated by approved rating agencies such as Crisil and ICRA. It is a debt hybrid scheme with

marginal exposure of about 15-20% to equities. Your Company has launched 5 plans during the year having tenure of 3 years and mobilised ₹ 1,284.77 crore. At the end of 3 years, each plan shall be automatically terminated and amount due shall be returned to its investors.

### HDFC Corporate Debt Opportunities

**Fund:** It is an open-ended income scheme. The objective of the scheme is to invest only in corporate debt securities excluding Government securities. The Fund mobilised ₹ 157 crore during the NFO.

**HDFC PSU and Banking Fund:** It is an open-ended income scheme. The objective of the scheme is to invest primarily into securities issued by Banking and Public Sector Undertakings. The Scheme mobilised ₹ 114.20 crore during the NFO.

### HDFC Debt Fund for Cancer Cure

**2014:** It is a close-ended income scheme. The objective of the Scheme is to invest in debt securities, generate returns and donate dividends, partly or fully to Indian Cancer Society (ICS) to help needy patients fight cancer. The Scheme mobilised ₹ 171.36 crore. It shall mature in March 2017.

### HDFC Rajiv Gandhi Equity Savings

**Scheme Series-2:** It is a Close Ended Equity Scheme investing in Eligible Securities as per Rajiv Gandhi Equity Savings Scheme, 2012. The scheme matures after three years from the date of allotment of units and the units are compulsorily redeemed on

the maturity date. The investment objective of the Scheme is to generate long-term capital appreciation from a portfolio of Eligible Securities as specified in Rajiv Gandhi Equity Savings Scheme. The Scheme mobilized over ₹ 58 crore in the NFO.

**HDFC Fixed Maturity Plans:** They are close-ended income schemes. They automatically mature at the end of the tenure. We launched 92 plans during the year with gross mobilisation of ₹ 19,169.14 crore. Launch of a plan with maturity of 3,360 days (over 9 years) which mobilised over ₹ 420.36 crore was noteworthy.

#### Awards

Your Directors are pleased to inform that schemes of HDFC Mutual Fund received the following awards during the year under review:

##### 1) Lipper Fund Awards 2013 #

❖ HDFC Prudence Fund-Growth was awarded '**Best Fund over Ten Years**' in Mixed Asset INR Aggressive Asset Class at the Lipper Fund Awards 2013.

❖ HDFC Children's Gift Fund - Investment Plan was awarded '**Best Fund over Three Years**' in Mixed Asset INR Balanced Asset Class at the Lipper Fund Awards 2013.

❖ HDFC Balanced Fund - Growth was awarded '**Best Fund over Five Years**' in Mixed Asset INR Balanced Asset Class at the Lipper Fund Awards 2013.

##### 2) Morningstar India Fund Awards 2014 #

❖ HDFC Multiple Yield Fund - Plan 2005 won the '**Best Conservative Allocation Fund**'.

❖ HDFC Balanced Fund won the '**Best Moderate Allocation Fund**'.

❖ HDFC Floating Rate Income Fund - Long Term Plan won the '**Best Ultrashort Bond Fund**'.

During the year under review, HDFC AMC PMS - Real Estate Portfolio - I of HDFC Asset Management Company Limited received the following award for the second year in a row:

##### 1) CNBC Awaaz Real Estate Awards 2013 #

HDFC AMC PMS - REAL ESTATE PORTFOLIO - I won the '**Fund of the Year**' award for the year by CNBC Awaaz.

# Please refer to the websites of the respective organizations for further information on the Ranking Methodology/Disclaimers, etc., for the abovementioned Awards.

#### Review of the Subsidiary Company

The AMC had incorporated a wholly owned subsidiary Company viz. HDFC Asset Management Company (Singapore) Pte. Ltd. in Singapore on April 10, 2008 for providing fund management and advisory services to financial institutions like pension funds, insurance companies, sovereign wealth funds, venture capital funds, etc. The paid up capital of the Company was Singapore \$1, 25,000.

The Company had not procured any license from Monetary Authority of

Singapore (MAS) and was not operational since incorporation. In view of this, an application was made to the Accounting & Corporate Regulatory Authority (ACRA) of Singapore and the name of the Company has been struck off from the records of ACRA with effect from August 15, 2013.

#### Change in Registered Office

Your Company has shifted its registered office from "Ramon House", 3rd Floor, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai - 400 020 to "HUL House", 2nd Floor, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai - 400 020.

#### Directors

In accordance with the Companies Act, 2013 and the Articles of Association of the Company, Mr. Deepak Parekh, Mr. Keki Mistry, Mr. Norman Keith Skeoch, and Mr. Vijay Merchant, Directors, retire by rotation at the ensuing Annual General Meeting. They are eligible for re-appointment.

Necessary proposals for the re-appointment of the aforesaid Directors have been included in the notice convening the Annual General Meeting.

None of the Directors of the Company are disqualified for being appointed as Directors as specified in Section 274 of the Companies Act, 1956.

### Board Meetings

The meetings of the Board of Directors are held at the Company's registered office in Mumbai.

Six Board meetings were held during the financial year under review - on April 29, 2013, June 26, 2013, August 19, 2013, October 22, 2013, December 17, 2013 and January 16, 2014.

The attendance of each Director at the meetings of the Board of Directors is as under:

Directors	Number of Board Meetings Attended
(i) Mr. Deepak S. Parekh (Chairman)	6
(ii) Mr. Norman Keith Skeoch	1
(iii) Mr. James Aird	6
(iv) Mr. Humayun Dhanrajgir	5
(v) Mr. Hoshang Billimoria	6
(vi) Mr. P. M. Thampi	6
(vii) Dr. Deepak B. Phatak	4
(viii) Ms. Renu Sud Karnad	5
(ix) Mr. Rajeshwar R. Bajaj	6
(x) Mr. Keki Mistry	5
(xi) Mr. Vijay Merchant	6
(xii) Mr. Milind Barve (Managing Director)	6

### Board Committees

To enable better and more focused attention on the affairs of the Company, the Board has constituted Committees of the Board such as Audit Committee, Remuneration Committee, Risk Management Committee and Customer Services Committee to which specific matters

have been delegated from time to time. These Committees prepare the groundwork for decision-making and report at the subsequent Board meeting.

### Audit Committee

The members of the Audit Committee are Mr. Hoshang Billimoria (Chairman), Mr. P. M. Thampi, Mr. Keki Mistry, Mr. Humayun Dhanrajgir and Mr. James Aird. The Audit Committee has been constituted and functions in accordance with the provisions of Section 292A of the Companies Act, 1956. The Company Secretary acts as the secretary to the Committee. The Committee met 5 times during the financial year under review. The Audit Committee met prior to the finalization of the accounts for the year ended March 31, 2014.

### Public Deposits

During the year under review, the Company has not accepted any deposits from the public.

### Particulars Regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Expenditure

(a) Since the Company does not carry out any manufacturing activities, particulars required to be disclosed with respect to the conservation of energy and technology absorption in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

(b) Foreign Exchange, earnings and expenditure during the year -

- Foreign exchange (earnings): ₹ 0.90 crore (previous year: ₹ 0.73 crore)

- Foreign exchange (expenditure): ₹ 54.35 crore (previous year: ₹ 46.32 crore) (including Equity Dividend)

### Particulars of Employees

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are set out in the annexure to the Directors' Report.

In terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report is being sent to the shareholders of the Company excluding the annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the registered office of the Company.

### Auditors

M/s. Haribhakti & Co., Chartered Accountants, Statutory Auditors of your Company holds office until the conclusion of the ensuing Annual General Meeting and is eligible for re-appointment. The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the limits prescribed under Companies Act, 2013 and rules made thereunder.

M/s. Haribhakti & Co. is in the process of converting the partnership firm into a Limited Liability Partnership firm. Upon receipt of confirmation about conversion of firm into Limited

Liability Partnership Firm, the Board will take note of the change, by way of a resolution.

### **Directors' Responsibility Statement**

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956 and based on the information provided by the management, your Directors state that:

(i) In the preparation of accounts, the applicable accounting standards have been followed.

(ii) Accounting policies selected were applied consistently. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of March 31, 2014 and of the profit of the Company for year ended on that date.

(iii) Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.

(iv) The annual accounts of the Company have been prepared on a going concern basis.

### **Acknowledgements**

The Directors acknowledge the valuable assistance, support and guidance given by the Securities and Exchange Board of India, Association of Mutual Funds of India, Reserve Bank of India, bankers, distributors, key partners, Investor Service Centres and other service providers. The

Directors would like to convey their gratitude to Housing Development Finance Corporation Limited and Standard Life Investments Limited and look forward to their continued support.

The Directors wish to place on record their appreciation to employees at all levels for their dedication and commitment.

The Directors also acknowledge the faith reposed in HDFC Mutual Fund by its investors and look forward to their continued support.

On behalf of the Board of Directors

MUMBAI  
April 16, 2014

DEEPAK S. PAREKH  
Chairman



## Independent Auditors' Report

TO THE MEMBERS OF HDFC ASSET MANAGEMENT COMPANY LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of HDFC ASSET MANAGEMENT COMPANY LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence

about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

- 1. As required by the Companies

(Auditors' Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.

- 2. As required by Section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

- c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

- d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;

- e. on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For HARIBHAKTI & CO.

Chartered Accountants  
Firm Registration No. 103523W

Chetan Desai

Partner

MUMBAI

April 16, 2014

Membership No. 17000

## Annexure to the Independent Auditors' Report

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the members of HDFC Asset Management Company Limited on the financial statements for the year ended March 31, 2014]

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.

(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.

(ii) The clause (ii) of Para 4 of the Companies (Auditor's Report) Order, 2003 (as amended) is not reported upon as it is not applicable to the Company.

(iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the Register maintained under Section 301 of the Act. Accordingly, the provisions stated in paragraph 4 (iii) (b), (c) and (d) of the Order are not applicable to the Company.

(e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the Register maintained under Section 301 of the Act. Accordingly, the provisions stated in paragraph 4 (iii) (f) and (g) of the Order are not applicable to the Company.

(iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of services. During the course of our audit, we have not observed any continuing failure to correct weakness in internal control system of the Company.

(v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees Five Lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) In our opinion and according to the information and explanations

given to us, the Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) The clause (viii) of Para 4 of the Companies (Auditor's Report) Order, 2003 (as amended) is not reported upon as it is not applicable to the Company.

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, wealth-tax, service tax and other material statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, wealth-tax, service tax and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax on account of any dispute are as follows:

Name of the Statute	Nature of the Dues	Amount (₹)	Period to which the Amount Relates	Forum where Dispute is Pending
Income Tax Act, 1961	Income Tax	48,95,262	A.Y. 2002-2003	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	43,29,312	A.Y. 2003-2004	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	14,86,870	A.Y. 2008-2009	High Court of Bombay
Income Tax Act, 1961	Income Tax	11,68,753	A.Y. 2011-2012	Commissioner of Income Tax (Appeals)



## Annexure to the Independent Auditors' Report (Continued)

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has neither taken any loan from Financial Institution or Bank nor issued any Debentures.

(xii) We are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) is not reported upon as it is not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other

investments. Accordingly, the provisions of clause (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.

(xvi) The Company has not obtained any term loans.

(xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) According to the information and explanation given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act.

(xix) According to the information and explanations given to us, no debentures have been issued by the Company during the year.

(xx) The Company has not raised money by way of public issue during the year.

(xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For HARIBHAKTI & CO.

Chartered Accountants  
Firm Registration No. 103523W

Chetan Desai

Partner

MUMBAI  
April 16, 2014

Membership No. 17000

## Balance Sheet as at March 31, 2014

Particulars	Note No.	₹	₹	March 31, 2013 ₹
<b>EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' FUNDS</b>				
Share Capital	2	25,24,08,000		25,24,08,000
Reserves and Surplus	3	876,01,82,942		676,75,82,716
<b>NON-CURRENT LIABILITIES</b>				
Long-Term Provisions	4	15,00,00,000		15,00,00,000
<b>CURRENT LIABILITIES</b>				
Trade Payables	5	147,72,19,013		59,74,27,354
Other Current Liabilities	6	57,35,94,850		52,70,24,772
Short-Term Provisions	7	802,11,48,111		637,42,62,203
			1007,19,61,974	749,87,14,329
<b>TOTAL</b>		<b>1923,45,52,916</b>		<b>1466,87,05,045</b>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Fixed Assets	8			
– Tangible Assets		26,26,06,736		17,00,96,163
– Intangible Assets		1,53,79,382		1,71,50,917
		27,79,86,118		18,72,47,080
Non-Current Investments	9	130,38,84,593		66,74,50,234
Deferred Tax Assets (net) (see Note 21.6)	10	12,81,03,053		12,80,31,613
Long-Term Loans and Advances	11	108,83,36,542		33,01,60,278
			279,83,10,306	131,28,89,205
<b>CURRENT ASSETS</b>				
Current Investments	12	606,18,26,358		597,82,57,412
Trade Receivables	13	15,47,99,211		19,22,35,549
Cash and Bank Balances	14	1,03,65,313		86,43,363
Short-Term Loans and Advances	15	919,62,02,789		716,77,60,087
Other Current Assets	16	101,30,48,939		89,19,429
			1643,62,42,610	1335,58,15,840
<b>TOTAL</b>		<b>1923,45,52,916</b>		<b>1466,87,05,045</b>

See accompanying Notes to the Financial Statements

As per our report attached  
**For Haribhakti & Co.**  
Chartered Accountants  
Firm Registration No. 103523W  
  
**Chetan Desai**  
Partner  
Membership No. 17000

For and on behalf of the Board  
  
**Deepak S. Parekh**  
Chairman

Directors  
  
**James Aird**  
**Hoshang S. Billimoria**  
**Deepak B. Phatak**  
**Vijay Merchant**  
**Renu Sud Karnad**  
**P. M. Thampi**  
**Rajeshwar Raj Bajaj**  
**Humayun Dhanrajgir**

MUMBAI  
April 16, 2014

**Milind Barve**  
Managing Director

**Piyush Surana**  
Chief Financial Officer

**Sylvia Furtado**  
Company Secretary

## Statement of Profit And Loss for the year ended March 31, 2014

Particulars	Note No.	₹	Previous Year ₹
<b>REVENUE</b>			
Revenue from Operations	17	858,54,67,657	715,72,29,240
Other Income	18	44,56,80,471	68,25,29,709
<b>TOTAL REVENUE</b>		<u>903,11,48,128</u>	<u>783,97,58,949</u>
<b>EXPENSES</b>			
Employee Benefits Expense	19	111,55,26,424	100,53,88,505
Depreciation and Amortization Expense	8	8,44,54,754	16,42,53,455
Other Expenses	20	260,66,57,507	220,19,31,244
<b>TOTAL EXPENSES</b>		<u>380,66,38,685</u>	<u>337,15,73,204</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>		522,45,09,443	446,81,85,745
Tax Expense:			
Current Tax		164,57,53,032	128,43,26,937
Deferred Tax		(71,440)	(37,18,630)
Previous Year's Tax		11,26,046	1,13,841
<b>PROFIT/(LOSS) AFTER TAX</b>		<u>357,77,01,805</u>	<u>318,74,63,597</u>
<b>Earnings Per Equity Share (Face Value ₹ 10) (see Note 21.5)</b>			
– Basic		141.69	126.43
– Diluted		140.82	126.04

See accompanying Notes to the Financial Statements

As per our report attached  
  
**For Haribhakti & Co.**  
Chartered Accountants  
Firm Registration No. 103523W  
  
**Chetan Desai**  
Partner  
Membership No. 17000

For and on behalf of the Board  
  
**Deepak S. Parekh**  
Chairman

Directors  
  
**James Aird**  
**Hoshang S. Billimoria**  
**Deepak B. Phatak**  
**Vijay Merchant**  
**Renu Sud Karnad**  
**P. M. Thampi**  
**Rajeshwar Raj Bajaaj**  
**Humayun Dhanrajgir**

MUMBAI  
April 16, 2014

**Milind Barve**  
Managing Director

**Piyush Surana**  
Chief Financial Officer

**Sylvia Furtado**  
Company Secretary

## Cash Flow Statement for the year ended March 31, 2014

	₹	Previous Year ₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation and extraordinary items	522,45,09,443	446,81,85,745
<b>Add/(Less) : Adjustment for</b>		
Depreciation and Amortization	8,44,54,754	16,42,53,455
Provision for/(Reversal of) Diminution in the Value of Current Investments	—	(6,69,47,902)
Provision for/(Reversal of) Diminution in the Value of Non Current Investments	(38,03,198)	38,03,198
Utilisation/Reversal of Provision for Contingencies	—	(2,95,52,097)
(Profit)/Loss on Sale of Investments (net)	(27,48,93,644)	(38,66,97,657)
(Profit)/Loss on Sale of Fixed Assets (net)	(30,910)	13,94,319
Investment Income	(11,47,61,671)	(15,70,13,667)
Provision for Wealth Tax	5,97,250	5,90,420
<b>Operating Profit before working capital changes</b>	491,60,72,024	399,80,15,814
(Increase)/Decrease in Loans and Advances	(112,44,23,008)	17,74,85,717
(Increase)/Decrease in Other Current Assets	(99,42,54,880)	(70,778)
(Increase)/Decrease in Trade Receivables	3,74,36,338	(7,73,59,439)
Increase/(Decrease) in Current Liabilities	92,63,61,737	31,73,93,112
<b>Cash generated from/(used in) operations</b>	376,11,92,211	441,54,64,426
Income Tax Paid	(166,64,89,207)	(129,26,94,731)
<b>Net cash from/(used in) operating activities</b>	209,47,03,004	312,27,69,695
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(17,32,97,131)	(9,59,20,026)
Proceeds from Sale of Fixed Assets	18,37,078	31,27,591
Purchase of Investments	(1638,75,24,683)	(1977,64,75,154)
Proceeds from Sale of Investments	1598,26,28,801	1890,57,68,047
Dividend Received	4,90,91,013	99,25,959
Interest Received	1,92,74,729	1,25,69,119
<b>Net cash from/(used in) investing activities</b>	(50,79,90,193)	(94,10,04,464)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Share Capital	29,24,42,500	23,95,13,100
Buy Back of Equity Shares	(35,13,44,500)	(112,77,80,550)
Tax on Shares Bought Back	(4,20,06,428)	—
Utilisation of Corporate Social Responsibility Account	(76,69,451)	(1,14,61,475)
Interim Equity Dividend Paid	(126,20,40,000)	(111,05,95,200)
Tax Paid on Interim Equity Dividend	(21,44,83,700)	(18,01,66,310)
<b>Net cash from/(used in) financing activities</b>	(158,51,01,579)	(219,04,90,435)
<b>Net Increase/(Decrease) in cash and cash equivalents</b>	16,11,232	(87,25,204)
<b>Cash and cash equivalents at the beginning of the Year</b>	77,71,701	1,64,96,905
<b>Cash and cash equivalents at the end of the Year</b>	93,82,933	77,71,701
	16,11,232	(87,25,204)

As per our report attached

**For Haribhakti & Co.**  
Chartered Accountants  
Firm Registration No. 103523W

**Chetan Desai**  
Partner  
Membership No. 17000

MUMBAI  
April 16, 2014

For and on behalf of the Board

**Deepak S. Parekh**  
Chairman

**Milind Barve**  
Managing Director

**Piyush Surana**  
Chief Financial Officer

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**Renu Sud Karnad**  
**P. M. Thampi**  
**Rajeshwar Raj Bajaaj**  
**Humayun Dhanrajgir**

**Sylvia Furtado**  
Company Secretary

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (NOTES) FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014**

### **Note 1**

#### **A) COMPANY OVERVIEW**

HDFC Asset Management Company Limited ('the Company') was incorporated under the Companies Act, 1956 on December 10, 1999 and was approved to act as an Asset Management Company for the HDFC Mutual Fund by Securities and Exchange Board of India (SEBI) vide its letter dated July 3, 2000. In terms of the Investment Management Agreement, the Trustee has appointed the Company to manage the Mutual Fund.

The Company is also registered under the SEBI (Portfolio Managers) Regulations, 1993 and provides Portfolio Management Services.

#### **B) SIGNIFICANT ACCOUNTING POLICIES**

##### **1.1 Basis of Preparation**

The financial statements have been prepared on accrual basis of accounting in accordance with historical cost convention, applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956 to the extent applicable.

##### **1.2 Use of Estimates**

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

##### **1.3 Income Recognition**

Management fees and income from investments are accounted for on accrual basis. Dividend income is recognized when the right to receive the same is established. Interest income is recognized on a time proportion basis.

##### **1.4 Cash and Cash Equivalents**

Cash and cash equivalents represent cash and balance with scheduled banks in current account.

##### **1.5 Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation/amortization as adjusted for impairment, if any. The cost of acquisition is inclusive of taxes, duties, freight and other incidental expenses related to acquisition and installation of the assets. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefit/functioning capability from/of such assets.

All expenses on existing fixed assets, including day to day repair and maintenance expenditure and cost of replacing parts are charged to Statement of Profit and Loss during the period in which they are incurred. Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis.

Gains or Losses arising from disposal of fixed assets are measured as the difference between the net disposal proceeds and carrying amount of the asset and is recognized in the Statement of Profit and Loss.



**1.6 Depreciation/Amortization**

- A) Depreciation on Fixed Assets is provided on straight-line basis at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 except for certain assets, where based on the Management's estimate of the useful lives of the assets, higher depreciation has been provided at the following rates:

CLASS OF FIXED ASSET	RATE OF DEPRECIATION (%)
Building	2.00
Computer Equipment	33.33
Computer Software	33.33
Furniture & Fixtures	14.29
Electrical Installations	14.29
Office Equipment	20.00
Vehicles	25.00
Improvement of Rented Premises	Over the primary period of the lease term or 5 years, whichever is less

Assets individually costing less than Rupees Five Thousand are fully depreciated in the year of purchase/acquisition.

**B) Goodwill**

- (i) Goodwill generated on amalgamation of erstwhile HDFC AMC Services Company Private Limited and HDFC AMC Mauritius Limited, with the Company has been depreciated equally over a period of 10 years.

**1.7 Investments**

Non-Current investments are stated at cost of acquisition. Provision for diminution is made to recognize a decline, other than temporary, in the value of Non-Current investments. Current investments are valued at lower of cost and fair value.

**1.8 Transaction in Foreign Currency**

Transactions in foreign currency are accounted for at the rates prevailing at the date of the transaction. Current assets and liabilities are translated at the ruling rate of exchange at the Balance Sheet date and the resultant exchange gains or losses are reflected in the Statement of Profit and Loss.

**1.9 Brokerage**

Brokerage paid on investment in Equity Linked Saving Schemes and Closed Ended Schemes is amortised over a period of 36 months and over the tenure of the scheme respectively.

Brokerage paid in advance in respect of Portfolio Management Business is amortised over the contractual period.

**1.10 Employee Benefits****A) Provident Fund**

The Company contributes to the Recognized Provident Fund for its employees. The Company's contributions are charged to the Statement of Profit and Loss every year.

**B) Gratuity**

Company's contribution in the case of gratuity is funded annually with a life insurance company. The net present value of the Company's obligation towards gratuity to employees is actuarially determined by an independent actuary based on the projected unit credit method. Actuarial gains and losses are immediately recognized in the Statement of Profit and Loss.

**1.11 Operating Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as Operating Leases. Operating lease rentals are recognized on accrual basis.

**1.12 Income Tax**

The accounting treatment for Income Tax in respect of the Company's income is based on the Accounting Standard on "Accounting for Taxes on Income" (AS-22) issued by the Institute of Chartered Accountants of India. The provision made for Income Tax in the Financial Statements comprises both, the current tax and the deferred tax. The deferred tax assets and liabilities for the year, arising on account of timing differences, are recognized in the Statement of Profit and Loss and the cumulative effect thereof is reflected in the Balance Sheet. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates at the Balance Sheet date. The major components of the respective balances of deferred tax assets and liabilities are disclosed in the Financial Statements.

**1.13 Scheme Expenses**

Recurring expenses of schemes of HDFC Mutual Fund borne by the Company, including the amounts in excess of the limits prescribed by the Securities and Exchange Board of India, are accounted under the respective expense heads in the Statement of Profit and Loss. In accordance with Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, New Fund Offer (NFO) expenses on the launch of schemes is borne by the Company.

**1.14 Impairment of Assets**

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Statement of Profit and Loss to the extent the carrying amount of assets exceeds their estimated recoverable amount.

**1.15 Provision for Contingencies**

In accordance with Accounting Standard on "Provisions, Contingent Liabilities and Contingent Assets" (AS-29), a provision is recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. The Company's policy is to carry adequate amounts in the Provision for Contingencies account to meet all contingencies in the business.

Contingent liabilities are not recognized. A contingent asset is neither recognized nor disclosed.

## Notes

Forming part of the Financial Statements for the year ended March 31, 2014

### Note 2

#### SHARE CAPITAL

	As at March 31, 2014 ₹	As at March 31, 2013 ₹
<b>AUTHORISED</b>		
3,00,00,000 (Previous Year 3,00,00,000) Equity Shares of ₹ 10 each	<b>30,00,00,000</b>	30,00,00,000
5,00,00,000 (Previous Year 5,00,00,000) Redeemable, Cumulative Non-Convertible Preference Shares of ₹ 10 each	<b>50,00,00,000</b>	50,00,00,000
<b>Total</b>	<b>80,00,00,000</b>	<b>80,00,00,000</b>
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>		
2,52,40,800 (Previous Year 2,52,40,800) Equity Shares of ₹ 10 each, fully paid-up	<b>25,24,08,000</b>	25,24,08,000
<b>Total</b>	<b>25,24,08,000</b>	<b>25,24,08,000</b>

Movement in Share Capital during the year :

Particulars	Current Year		Previous Year	
	No. of Equity Shares	Share Capital (₹)	No. of Equity Shares	Share Capital (₹)
Shares outstanding at the beginning of the Year	<b>2,52,40,800</b>	<b>25,24,08,000</b>	2,51,70,150	25,17,01,500
Add : Shares issued during the Year	<b>1,41,500</b>	<b>14,15,000</b>	5,55,300	55,53,000
Less : Shares bought back during the Year	<b>1,41,500</b>	<b>14,15,000</b>	4,84,650	48,46,500
Shares outstanding at the end of the Year	<b>2,52,40,800</b>	<b>25,24,08,000</b>	2,52,40,800	25,24,08,000

The Company has issued only one class of shares referred to as equity share having Face Value of ₹10 each, each holder of equity shares is entitled to one vote per share.

The holders of equity shares are entitled to dividends, if any, proposed by the Board of Directors and approved by the Shareholders at the Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of preferential amount. However, no such preferential amount exists currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

Details of Holding Company and Shareholders holding more than 5 per cent Share Capital of the Company :

Name of the Shareholder	Current Year		Previous Year	
	No. of Equity Shares	% of Share Capital	No. of Equity Shares	% of Share Capital
Housing Development Finance Corporation Limited (Holding Company) & its nominees	<b>1,50,96,600</b>	<b>59.81</b>	1,50,96,600	59.81
Standard Life Investments Limited	<b>1,00,64,400</b>	<b>39.87</b>	1,00,64,400	39.87

9,00,000 (Previous Year 10,19,500) equity shares of ₹10 each are reserved for issuance towards outstanding Employee Stock Options.

16,23,200 equity shares of ₹10 each were bought back during last five years.

**Note 3****RESERVES AND SURPLUS**

	As at March 31, 2014 ₹	As at March 31, 2013 ₹
Capital Redemption Reserve		
Opening Balance	51,48,17,000	50,99,70,500
Add : Transfer from Surplus in Statement of Profit and Loss	14,15,000	48,46,500
	<u>51,62,32,000</u>	<u>51,48,17,000</u>
Securities Premium Account		
Opening Balance	—	—
Add : Additions during the Year	29,10,27,500	30,95,60,100
Less : Utilised during the Year	29,10,27,500	30,95,60,100
	<u>—</u>	<u>—</u>
Share Options Outstanding Account		
Opening Balance	—	7,56,00,000
Add : Additions during the Year	—	—
Less : Transfer to Securities Premium Account	—	7,56,00,000
	<u>—</u>	<u>—</u>
General Reserve		
Opening Balance	31,87,46,360	26,91,34,803
Add : Transfer from Surplus in Statement of Profit and Loss	35,77,70,181	31,87,46,360
Less : Utilised during the Year	5,89,02,000	26,91,34,803
	<u>61,76,14,541</u>	<u>31,87,46,360</u>
Corporate Social Responsibility Account (for social/philanthropic causes & investor centric initiatives)		
Opening Balance	3,36,46,525	4,51,08,000
Add : Transfer from Surplus in Statement of Profit and Loss	—	—
Less : Utilised during the Year	76,69,451	1,14,61,475
	<u>2,59,77,074</u>	<u>3,36,46,525</u>
Surplus in Statement of Profit and Loss		
Opening Balance	590,03,72,831	487,15,02,751
Add : Profit/(Loss) for the Year	357,77,01,805	318,74,63,597
Less : Appropriations :		
General Reserve	35,77,70,181	31,87,46,360
Capital Redemption Reserve	14,15,000	48,46,500
Buy Back of Equity Shares	—	54,42,39,147
Tax on Buy back of Equity Shares	4,20,06,428	—
Interim Equity Dividend Paid	126,20,40,000	111,05,95,200
Tax Paid on Interim Equity Dividend	21,44,83,700	18,01,66,310
	<u>760,03,59,327</u>	<u>590,03,72,831</u>
<b>Total</b>	<u><b>876,01,82,942</b></u>	<u><b>676,75,82,716</b></u>

Pursuant to the approval of the shareholders at the Extraordinary General Meeting and in accordance with the provisions of the Companies Act, 1956 (Act) and Private Limited Company and Unlisted Public Limited Company (Buy-back of Securities) Rules, 1999, the Company bought back 1,41,500 equity shares during the year (Previous Year 4,84,650) at an aggregate value of ₹ 35,13,44,500 (Previous Year ₹ 112,77,80,550). The Company has utilised the Securities Premium Account & Free Reserves for this purpose. A sum of ₹ 14,15,000 (Previous Year ₹ 48,46,500) has been transferred to Capital Redemption Reserve in terms of Section 77AA of the Act.

**Note 4****LONG-TERM PROVISIONS**

	As at March 31, 2014 ₹	As at March 31, 2013 ₹
For Contingencies (see Note 21.7)	<b>15,00,00,000</b>	15,00,00,000
<b>Total</b>	<b>15,00,00,000</b>	15,00,00,000

**Note 5****TRADE PAYABLES**

	As at March 31, 2014 ₹	As at March 31, 2013 ₹
Sundry Creditors (see Note 21.9 & 21.13)	<b>147,72,19,013</b>	59,74,27,354
<b>Total</b>	<b>147,72,19,013</b>	59,74,27,354

**Note 6****OTHER CURRENT LIABILITIES**

	As at March 31, 2014 ₹	As at March 31, 2013 ₹
Statutory Dues	<b>2,02,24,651</b>	1,95,10,375
Employee Benefits	<b>42,64,18,846</b>	40,09,47,059
Other Dues	<b>12,53,69,969</b>	9,86,31,185
Income Received in Advance	<b>15,81,384</b>	79,36,153
<b>Total</b>	<b>57,35,94,850</b>	52,70,24,772

**Note 7****SHORT-TERM PROVISIONS**

	As at March 31, 2014 ₹	As at March 31, 2013 ₹
For Taxation	<b>802,11,48,111</b>	637,42,62,203
<b>Total</b>	<b>802,11,48,111</b>	637,42,62,203



**Note 8**  
**FIXED ASSETS**

₹

	GROSS BLOCK			DEPRECIATION / AMORTIZATION			NET BLOCK	
	As at March 31, 2013	Additions	Deductions	As at March 31, 2013	For the Year	Deductions	As at March 31, 2014	As at March 31, 2013
<b>TANGIBLE ASSETS</b>								
Buildings	4,99,57,691	—	—	25,65,242	9,99,154	—	35,64,396	4,73,92,449
Improvement of Rented Premises	31,96,91,965	9,96,00,445	5,56,46,125	26,20,89,128	3,41,41,894	5,56,03,081	24,06,27,941	5,76,02,837
Computer Equipment	12,09,56,645	1,30,47,844	48,64,250	9,25,96,092	1,57,65,995	48,34,065	10,35,28,022	2,83,60,553
Furniture & Fixtures	2,84,11,670	2,18,44,238	29,92,367	2,32,00,227	32,71,592	29,60,905	2,35,10,914	52,11,443
Electrical Installations	2,700	57,40,628	—	2,700	3,95,440	—	3,98,140	—
Vehicles	2,48,76,279	69,75,249	32,03,581	1,41,03,242	53,52,780	23,63,760	1,70,92,262	1,07,73,037
Office Equipment	16,40,19,289	1,89,88,652	1,40,52,131	14,32,63,445	1,19,53,460	1,31,90,475	14,20,26,430	2,07,55,844
<b>Total</b>	70,79,16,239	16,61,97,056	8,07,58,454	53,78,20,076	7,18,80,315	7,89,52,286	53,07,48,105	17,00,96,163
<b>Previous Year</b>	66,33,79,308	7,94,97,298	3,49,60,367	48,57,11,881	8,25,46,652	3,04,38,457	53,78,20,076	17,00,96,163
<b>INTANGIBLE ASSETS</b>								
Goodwill	66,83,08,050	—	—	66,83,08,050	—	—	66,83,08,050	—
Computer Software	9,02,20,448	1,08,02,904	—	7,30,69,531	1,25,74,439	—	8,56,43,970	1,71,50,917
<b>Total</b>	75,85,28,498	1,08,02,904	—	74,13,77,581	1,25,74,439	—	75,39,52,020	1,71,50,917
<b>Previous Year</b>	74,28,27,552	1,57,00,946	—	65,96,70,778	8,17,06,803	—	74,13,77,581	1,71,50,917

**Note 9****NON-CURRENT INVESTMENTS (Non Trade, At Cost)**

	As at March 31, 2014 ₹	As at March 31, 2013 ₹
<b>Investment in Subsidiary Company</b>		
NIL (Previous Year 1,25,000) fully paid up Equity Shares of SGD 1 each in HDFC Asset Management Company (Singapore) Pte. Ltd.	—	41,60,500
<b>Investment in Venture Capital Fund</b>		
1,13,709 Units (Previous Year 76,901) of ₹ 1,000 each in Faering Capital India Evolving Fund (Class A)	11,37,09,193	7,69,00,732
<b>Investment in Bonds</b>		
61,809 (Previous Year 61,809) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 1,000 each of National Highways Authority of India (NHAI)	6,18,09,000	6,18,09,000
1,63,131 (Previous Year 1,63,131) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 1,000 each of Indian Railways Finance Corporation (IRFC)	16,31,31,000	16,31,31,000
200 (Previous Year NIL) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 10,00,000 each of Rural Electrification Corporation Ltd. (REC)	19,99,83,200	—
<b>Investment in Preference Shares</b>		
36,52,522 (Previous Year 36,52,522) 8.75% Cumulative Redeemable Preference Shares of ₹ 100 each of L&T Finance Holdings Limited	36,52,52,200	36,52,52,200
32,000 (Previous Year NIL) 16.06% Cumulative Redeemable Preference Shares of ₹ 7,500 each of Infrastructure Leasing & Financial Services Limited	40,00,00,000	—
<b>Total Non-Current Investments</b>	<b>130,38,84,593</b>	<b>67,12,53,432</b>
Less: Provision for Diminution in the value of Investments	—	38,03,198
<b>Net Non-Current Investments</b>	<b>130,38,84,593</b>	<b>66,74,50,234</b>
<b>Aggregate of Quoted Investments</b>		
Book Value	42,49,23,200	22,49,40,000
Market Value	43,27,06,290	24,15,49,646
<b>Aggregate of Unquoted Investments</b>		
Book Value	87,89,61,393	44,25,10,234

**Note 10****DEFERRED TAX**

	As at March 31, 2014 ₹	As at March 31, 2013 ₹
Deferred Tax Asset	12,93,36,542	12,94,87,853
Deferred Tax Liability	(12,33,489)	(14,56,240)
<b>Total</b>	<b>12,81,03,053</b>	<b>12,80,31,613</b>

**Note 11****LONG-TERM LOANS AND ADVANCES**

	As at March 31, 2014 ₹	As at March 31, 2013 ₹
Secured, Considered good		
– Loan to Corporate	51,49,460	97,03,064
Unsecured, Considered good		
– Capital Advances	34,95,404	71,98,233
– Security Deposits	10,78,17,833	12,64,41,799
– Prepaid Expenses	97,18,73,845	18,68,17,182
<b>Total</b>	<b>108,83,36,542</b>	<b>33,01,60,278</b>

**Note 12****CURRENT INVESTMENTS (Non Trade)**

	As at March 31, 2014 ₹	As at March 31, 2013 ₹
<b>Investment in Schemes of Mutual Fund (Valued at Cost and Fair Value, whichever is lower)</b>		
NIL Units (Previous Year 4,16,67,522) of ₹ 10 each in HDFC Cash Management Fund - Treasury Advantage Plan - Direct Plan (Growth Plan)	—	104,79,34,003
8,87,44,848 Units (Previous Year 12,24,61,628) of ₹ 10 each in HDFC Floating Rate Income Fund - Long Term Plan - Direct Plan (Growth Plan)	181,33,25,439	250,22,61,150
7,32,31,049 Units (Previous Year 14,91,41,510) of ₹ 10 each in HDFC Short Term Opportunities Fund - Direct Plan (Growth Plan)	92,77,30,279	188,94,04,793
NIL Units (Previous Year 1,00,684) of ₹ 10 each in HDFC Floating Rate Income Fund - Short Term Plan - Direct Plan (Daily Dividend Plan)	—	10,14,988
NIL Units (Previous Year 1,00,038) of ₹ 10 each in HDFC Floating Rate Income Fund - Short Term Plan - Direct Plan (Weekly Dividend Plan)	—	10,14,512
NIL Units (Previous Year 99,955) of ₹ 10 each in HDFC Floating Rate Income Fund - Short Term Plan - Direct Plan (Monthly Dividend Plan)	—	10,14,532
NIL Units (Previous Year 50,929) of ₹ 10 each in HDFC Floating Rate Income Fund - Short Term Plan - Direct Plan (Growth Plan)	—	10,00,000
1,50,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC Corporate Debt Opportunities Fund - Direct Plan (Growth Plan)	15,00,00,000	—
77,89,281 Units (Previous Year NIL) of ₹ 10 each in HDFC Short Term Plan - Direct Plan (Growth Plan)	19,00,00,000	—
10,74,01,509 Units (Previous Year NIL) of ₹ 10 each in HDFC Cash Management Fund - Treasury Advantage Plan - Direct Plan (Weekly Dividend Plan)	108,07,70,640	—

**Note 12 (Continued)****CURRENT INVESTMENTS (Non Trade)**

	As at March 31, 2014 ₹	As at March 31, 2013 ₹
NIL Units (Previous Year 58,28,520) of ₹ 10 each in HDFC Liquid Fund - Direct Plan (Growth Plan)	—	13,46,13,434
NIL Units (Previous Year 1,50,00,000) of ₹ 10 each in HDFC FMP 371D February 13 (1) - Direct Plan (Growth Plan)	—	15,00,00,000
NIL Units (Previous Year 2,00,00,000) of ₹ 10 each in HDFC FMP 372D February 13 (1) - Direct Plan (Growth Plan)	—	20,00,00,000
1,00,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC FMP 371D December 2013 (2) - Direct Plan (Growth Plan)	10,00,00,000	—
2,00,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC FMP 371D January 2014 (1) - Direct Plan - (Growth Plan)	20,00,00,000	—
3,00,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC FMP 369D January 2014 (1) - Direct Plan - (Growth Plan)	30,00,00,000	—
4,50,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC FMP 370D January 2014 (1) - Direct Plan - (Growth Plan)	45,00,00,000	—
2,00,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC FMP 371D February 2014 (1) - Direct Plan - (Growth Plan)	20,00,00,000	—
3,00,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC FMP 369D February 2014 (2) - Direct Plan - (Growth Plan)	30,00,00,000	—
3,00,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC FMP 370D March 2014 (1) - Direct Plan - (Growth Plan)	30,00,00,000	—
NIL Units (Previous Year 50,00,000) of ₹ 10 each in HDFC Debt Fund for Cancer Cure (Dividend Plan)	—	5,00,00,000
50,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC Debt Fund for Cancer Cure 2014 - Direct Plan (Dividend Plan)	5,00,00,000	—
<b>Total Current Investments</b>	<b>606,18,26,358</b>	<b>597,82,57,412</b>
<b>Aggregate of Investments in Quoted Mutual Funds</b>		
Book Value	190,00,00,000	40,00,00,000
Market Value	190,00,00,000	40,00,00,000
<b>Aggregate of Investments in Unquoted Mutual Funds</b>		
Book Value	416,18,26,358	557,82,57,412

**Note 13****TRADE RECEIVABLES**

		As at March 31, 2014 ₹	As at March 31, 2013 ₹
(Unsecured, Considered good)	₹		
Investment Management Fee Receivable (less than six months)		<b>12,96,76,603</b>	15,10,05,641
Portfolio Management Fee Receivable			
– Over six months	<b>1,69,818</b>		1,53,494
– Others	<b>2,49,52,790</b>		4,10,76,414
		<b>2,51,22,608</b>	4,12,29,908
<b>Total</b>		<b>15,47,99,211</b>	19,22,35,549

**Note 14****CASH AND BANK BALANCES**

		As at March 31, 2014 ₹	As at March 31, 2013 ₹
Cash and Cash Equivalents	₹		
– Balances with Banks		<b>93,82,933</b>	77,71,701
Other Bank Balances			
– In Deposit Account (security against bank guarantee)		<b>9,82,380</b>	8,71,662
<b>Total</b>		<b>1,03,65,313</b>	86,43,363

**Note 15****SHORT-TERM LOANS AND ADVANCES**

		As at March 31, 2014 ₹	As at March 31, 2013 ₹
(Unsecured, Considered good)	₹		
Advance Payment of Taxes		<b>813,39,03,010</b>	646,80,04,223
Prepaid Expenses			
– Related Parties	<b>64,81,287</b>		66,74,836
– Others	<b>74,23,99,410</b>		36,98,60,413
		<b>74,88,80,697</b>	37,65,35,249
Service Tax Credit Receivable		<b>1,01,61,582</b>	1,00,34,388
Other Receivables			
– Related Parties	<b>5,90,24,105</b>		4,67,20,200
– Others	<b>24,42,33,395</b>		26,64,66,027
		<b>30,32,57,500</b>	31,31,86,227
<b>Total</b>		<b>919,62,02,789</b>	716,77,60,087



**Note 16****OTHER CURRENT ASSETS**

	As at March 31, 2014 ₹	As at March 31, 2013 ₹
Interest accrued on Loans	3,87,346	3,79,684
Interest accrued on Fixed Deposit	12,648	16,834
Interest accrued on Bonds	1,85,00,597	85,22,911
Portfolio Management Fee Accrued But Not Due (see Note 21.13)	99,41,48,348	—
<b>Total</b>	<b>101,30,48,939</b>	<b>89,19,429</b>

**Note 17****REVENUE FROM OPERATIONS**

	For the Year ended March 31, 2014 ₹	For the Year ended March 31, 2013 ₹
Investment Management Fee	715,01,66,104	647,73,54,873
Portfolio Management Fee	143,53,01,553	67,98,74,367
<b>Total</b>	<b>858,54,67,657</b>	<b>715,72,29,240</b>

**Note 18****OTHER INCOME**

	For the Year ended March 31, 2014 ₹	For the Year ended March 31, 2013 ₹
Dividend Income from Current Investments	8,55,01,594	13,77,47,682
Interest Income:		
– From Non-Current Investments	2,78,64,723	1,81,58,569
– From Others	14,11,473	11,27,528
Profit on Sale of Current Investments (net)	27,48,93,644	38,66,97,657
Utilisation/Reversal of Provision for Contingencies	—	2,95,52,097
Reversal of Diminution in the Value of Current Investments	—	6,69,47,902
Reversal of Diminution in the Value of Non Current Investments	38,03,198	—
Miscellaneous Income	5,22,05,839	4,22,98,274
<b>Total</b>	<b>44,56,80,471</b>	<b>68,25,29,709</b>

**Note 19****EMPLOYEE BENEFITS EXPENSE**

	For the Year ended March 31, 2014 ₹	For the Year ended March 31, 2013 ₹
Salaries, Allowances and Bonus	105,29,54,122	93,97,37,000
Contribution to Provident and Other Funds	4,40,69,579	4,62,19,667
Staff Welfare and Training Expenses	1,85,02,723	1,94,31,838
<b>Total</b>	<b>111,55,26,424</b>	<b>100,53,88,505</b>

**Note 20****OTHER EXPENSES**

	For the Year ended March 31, 2014 ₹	For the Year ended March 31, 2013 ₹
Brokerage/Incentives/Fees/Mutual Fund Expenses	150,63,76,310	121,11,87,139
Business Promotion	17,70,63,833	11,63,39,088
Rent	32,48,47,823	30,11,72,157
Printing and Courier	7,75,50,575	4,91,30,696
Travel and Conveyance	4,66,34,668	4,75,06,879
Communication Expenses	3,30,92,430	3,49,17,111
Subscription and Membership Fees	2,53,15,540	2,12,64,688
Professional and Legal Fees	3,64,26,697	4,17,32,346
Repair and Maintenance	13,55,01,929	11,40,71,445
Electricity Charges	4,30,27,171	3,65,13,372
Outsourced Services Cost	11,57,31,855	12,73,05,612
Insurance Expenses	1,84,13,145	1,72,20,403
Rates and Taxes	22,87,942	20,66,730
Auditors Remuneration:		
Audit Fee	12,00,000	10,00,000
Audit Fee - PMS Business	27,79,096	18,65,461
Tax Audit Fee	50,000	50,000
Taxation Matters	7,26,500	3,27,600
Reimbursement of Expenses	—	5,371
Other Services	8,70,840	12,90,100
	56,26,436	45,38,532
Directors Sitting Fees and Commission	91,60,000	87,80,000
Loss on Foreign Exchange Translation	5,25,885	2,16,352
Loss on Sale of Non Current Investments (net)	38,03,198	—
Provision for Diminution in the Value of Non-Current Investments	—	38,03,198
Miscellaneous Expenses	4,52,72,070	6,41,65,496
<b>Total</b>	<b>260,66,57,507</b>	<b>220,19,31,244</b>

**Note 21****21.1 Employee Benefits**

In accordance with the Accounting Standard on “Employee Benefits” (AS-15) (Revised 2005) issued by the Institute of Chartered Accountants of India, the Company has classified the various benefits provided to the employees as under:

**A) Defined Contribution Plan**

Provident Fund

The Company has recognized the following amounts in the Statement of Profit and Loss, which are included under Contributions to Provident Fund:

(Amount in ₹)

Particulars	Current Year	Previous Year
Employer's contribution to Provident Fund	<b>3,12,79,054</b>	2,64,94,551

**B) Defined Benefit Plan**

Contribution to Gratuity Fund (Funded Scheme)

The details of the Company's post-retirement benefit plan for its employees are given below and certified by an independent actuary.

(Amount in ₹)

Particulars	Current Year	Previous Year
<b>Change in the Defined Benefit Obligations:</b>		
Liability at the beginning of the Year	<b>7,37,50,037</b>	6,02,98,371
Current Service Cost	<b>1,03,90,361</b>	98,27,389
Interest Cost	<b>60,84,378</b>	51,25,362
Benefits Paid	<b>(33,24,550)</b>	(84,12,800)
Actuarial (Gain)/Loss	<b>(11,39,194)</b>	69,11,715
<b>Liability at the end of the Year</b>	<b>8,57,61,032</b>	7,37,50,037
<b>Fair Value of Plan Assets:</b>		
Fair Value of Plan Assets at the beginning of the Year	<b>5,67,02,305</b>	5,03,84,616
Expected Return on Plan Assets	<b>49,33,101</b>	43,33,077
Contributions	<b>1,70,47,732</b>	99,13,755
Benefits Paid	<b>(33,24,550)</b>	(84,12,800)
Actuarial Gain/(Loss) on Plan Assets	<b>7,50,540</b>	4,83,657
<b>Fair Value of Plan Assets at the end of the Year</b>	<b>7,61,09,128</b>	5,67,02,305
<b>Actual Return on Plan Assets:</b>		
Expected Return on Plan Assets	<b>49,33,101</b>	43,33,077
Actuarial Gain/(Loss) on Plan Assets	<b>7,50,540</b>	4,83,657
<b>Actual Return on Plan Assets</b>	<b>56,83,641</b>	48,16,734
<b>Amount Recognized in the Balance Sheet:</b>		
Liability at the end of the Year	<b>8,57,61,032</b>	7,37,50,037
Fair Value of Plan Assets at the end of the Year	<b>7,61,09,128</b>	5,67,02,305
<b>Amount Recognized in the Balance Sheet as Liability</b>	<b>96,51,904</b>	1,70,47,732

**Note 21 (Continued)**

(Amount in ₹)

Expense Recognized in the Statement of Profit and Loss:		Current Year	Previous Year		
Current Service Cost		1,03,90,361	98,27,389		
Interest Cost		60,84,378	51,25,362		
Expected Return on Plan Assets		(49,33,101)	(43,33,077)		
Net Actuarial (Gain)/Loss to be Recognized		(18,89,734)	64,28,058		
Expense Recognized in the Statement of Profit and Loss under ‘Employee Benefits Expenses’		96,51,904	1,70,47,732		
Reconciliation of the Liability Recognized in the Balance Sheet:		Current Year	Previous Year		
Opening Net Liability		1,70,47,732	99,13,755		
Expense Recognized		96,51,904	1,70,47,732		
Contribution by the Company		(1,70,47,732)	(99,13,755)		
Amount Recognized in the Balance Sheet as Liability		96,51,904	1,70,47,732		
Net Actuarial (Gain)/Loss Recognized		Current Year	Previous Year		
Actuarial (Gain)/Loss on Plan Assets		(7,50,540)	(4,83,657)		
Actuarial (Gain)/Loss on Defined Benefit Obligation		(11,39,194)	69,11,715		
Net Actuarial (Gain)/Loss Recognized		(18,89,734)	64,28,058		
Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
Liability at the end of the Year	8,57,61,032	7,37,50,037	6,02,98,371	4,59,23,898	2,95,61,280
Fair Value of Plan Assets at the end of the Year	7,61,09,128	5,67,02,305	5,03,84,616	3,48,84,227	3,13,50,664
Amount Recognized in the Balance Sheet as Liability	96,51,904	1,70,47,732	99,13,755	1,10,39,371	(17,89,384)
Experience Adjustment:					
(Gains)/Losses on Plan Liabilities	81,53,498	44,47,641	56,96,464	70,14,755	*
(Gains)/Losses on Plan Assets	7,50,540	(4,83,657)	(28,83,780)	21,32,680	*
Estimated Contribution for next year	2,06,94,977	1,87,99,305	1,66,85,170	73,96,987	*

\*Experience adjustment details for the financial year 2009-10 are not disclosed as it was not made available to the Company by the erstwhile insurance company.

As the gratuity fund is managed by a life insurance company, details of investment are not available with the Company.

**Actuarial Assumptions:**

Actuarial valuation was performed in respect of the aforesaid defined benefit plan based on the following assumptions:

<b>Particulars</b>	<b>Current Year</b>	<b>Previous Year</b>
Discount Rate	<b>9.31% p.a.</b>	8.25% p.a.
Return on Plan Assets	<b>8.70% p.a.</b>	8.70% p.a.
Compensation Escalation Rate	<b>5.00% p.a.</b>	5.00% p.a.
Average Age	<b>33.67 Years</b>	34.21 Years
Mortality Basis	<b>Indian Assured Lives Mortality (2006-08) Ultimate</b>	Indian Assured Lives Mortality (2006-08) Ultimate

**Note 21 (Continued)****21.2 Segmental Reporting**

In accordance with the Accounting Standard on “Segment Reporting” (AS-17) issued by the Institute of Chartered Accountants of India, the Company has determined business segments as under:

The Company’s operations predominantly relate to providing Asset Management Services. It acts as an Investment Manager to schemes launched by HDFC Mutual Fund. It also provides Portfolio Management Services (PMS) to Corporates and High Net Worth Individuals. Accordingly, the Company has recognized ‘Mutual Fund’ and ‘Portfolio Management’ as Primary business segments. Secondary segment reporting does not require separate disclosure as most of the activities of the Company are within India.

The accounting principles used in the preparation of the financial statements are also consistently applied to record income and expenditure of individual segments. These are as set out in the Note on Significant Accounting Policies.

The basis of reporting is as follows:

1. Revenue and expenses distinctly identifiable to a segment are recognized in that segment.
2. Certain expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. Hence it is not practical to provide segment disclosures relating to such items and accordingly they are separately disclosed as “unallocable expenses”.
3. Fixed assets used in the Company’s business have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between the segments. Accordingly depreciation/amortization has been treated as an unallocable expense.
4. Assets and liabilities to the extent directly identifiable to a business segment have been categorized as “Allocable assets/liabilities”, others have been shown as “Unallocable assets/liabilities”.
5. Other Balance Sheet items such as investments and deferred tax asset are similarly not allocated to business segments.

(Amount in ₹)

	Mutual Fund		Portfolio Management		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Segment Revenue</b>						
Management Fees	715,01,66,104	647,73,54,873	143,53,01,553	67,98,74,367	858,54,67,657	715,72,29,240
Inter Segment Revenue	—	—	—	—	—	—
<b>Total Segment Revenue</b>	715,01,66,104	647,73,54,873	143,53,01,553	67,98,74,367	858,54,67,657	715,72,29,240
Identifiable Operating Expenses	229,23,52,209	221,55,05,084	82,89,50,038	46,99,09,843	312,13,02,247	268,54,14,927
<b>Segmental Operating Income</b>	485,78,13,895	426,18,49,789	60,63,51,515	20,99,64,524	546,41,65,410	447,18,14,313
Unallocable Expenses					68,53,36,438	68,61,58,277
<b>Operating Income</b>					477,88,28,972	378,56,56,036
Other Income					44,56,80,471	68,25,29,709
<b>Net Profit Before Tax</b>					522,45,09,443	446,81,85,745
Provision for Income Tax					164,57,53,032	128,43,26,937
Deferred Tax Expense					(71,440)	(37,18,630)
Previous Year’s Tax					11,26,046	1,13,841
<b>Net Profit After Tax</b>					357,77,01,805	318,74,63,597
<b>Segment Assets And Liabilities</b>						
Segment Assets	205,94,82,371	86,31,33,260	102,23,89,483	14,83,47,974	308,18,71,854	101,14,81,234
Unallocated Assets					1615,26,81,062	1365,72,23,811
<b>Total Assets</b>					1923,45,52,916	1466,87,05,045
Segment Liabilities	137,96,73,790	92,52,13,013	55,97,50,549	6,94,55,554	193,94,24,339	99,46,68,567
Unallocated Liabilities					828,25,37,635	665,40,45,762
<b>Total Liabilities</b>					1022,19,61,974	764,87,14,329
Capital Expenditure	—	—	—	—	17,69,99,960	9,51,98,244
Depreciation	—	—	—	—	8,44,54,754	16,42,53,455



**Note 21 (Continued)****21.3 Related Party Transactions**

As per the Accounting Standard on “Related Party Disclosures” (AS-18) issued by the Institute of Chartered Accountants of India, the related parties of the Company are as follows:

- A) Holding Company : Housing Development Finance Corporation Limited  
 B) Investing Party : Standard Life Investments Limited  
 C) Fellow Subsidiaries where : HDFC Trustee Company Limited  
 Company has transactions : HDFC Standard Life Insurance Company Limited  
 during the Year : HDFC ERGO General Insurance Company Limited  
 D) Key Management Personnel : Mr. Milind Barve, Managing Director

The nature and volume of transactions of the Company with the above related parties were as follows:

(Amount in ₹)

Particulars	Holding Company	Investing Party	Fellow Subsidiaries*
<b>INCOME</b>			
Management Fees	—	<b>31,66,749</b>	—
	—	(39,88,262)	—
<b>EXPENDITURE</b>			
Rent	<b>11,16,75,694</b> (9,86,57,423)	—	—
Advisory Fee	<b>7,84,60,565</b> (12,92,19,747)	—	—
Technology Support Cost	<b>1,33,89,413</b> (1,32,98,967)	—	—
Administrative & Other Expenses	<b>99,98,414</b> (61,95,760)	—	—
Insurance Premium	—	—	<b>77,36,003</b>
	—	—	(65,11,037)
Performance Fee	<b>49,70,74,174</b> —	—	—
	—	—	—
<b>ASSETS</b>			
Deposit	—	—	<b>4,075</b>
	—	—	(9,167)
Account Receivable	—	<b>5,35,645</b>	<b>5,90,24,105</b>
	—	(9,79,356)	(4,67,20,200)
Prepaid Insurance Premium	—	—	<b>64,81,287</b>
	—	—	(66,74,836)
<b>LIABILITIES</b>			
Account Payable	<b>50,40,84,174</b> (10,50,680)	—	—
	—	—	—

**Note 21 (Continued)**

Particulars	Holding Company	Investing Party	Fellow Subsidiaries*
<b>OTHER TRANSACTIONS</b>			
Purchase of Fixed Assets	<b>12,00,000</b> (10,00,000)	— —	— —
Interim Equity Dividend Paid	<b>75,48,30,000</b> (66,42,50,400)	<b>50,32,20,000</b> (44,28,33,600)	— —

Remuneration to Key Management Personnel ₹5,89,79,637 (Previous Year ₹5,43,33,064). Reimbursement of Expenses amounting to ₹44,93,666 (Previous Year ₹2,97,038) to the Holding Company is not considered above.

The Company has completed the process of winding up its Subsidiary Company wherein an amount of ₹3,57,302 was held as net investment as on 31<sup>st</sup> March, 2013.

\*Details of transactions with fellow subsidiaries are as follows:

(Amount in ₹)

Particulars	HDFC Trustee Company Limited	HDFC Standard Life Insurance Company Limited	HDFC ERGO General Insurance Company Limited
Insurance Premium	— —	<b>7,94,222</b> (9,51,448)	<b>69,41,781</b> (55,59,589)
Deposit	— —	<b>4,075</b> (9,167)	— —
Account Receivable*	<b>5,90,24,105</b> (4,67,20,200)	— —	— —
Prepaid Insurance Premium	— —	<b>8,685</b> (10,452)	<b>64,72,602</b> (66,64,384)

\* Includes an amount of ₹2,58,62,200 (Previous Year ₹2,58,62,200) paid to HDFC Trustee Company Limited (see Note 21.11).

Figures in bracket pertain to the Previous Year.

**21.4 Operating Leases**

The Company has entered into non-cancellable leasing arrangements for certain premises. The total lease payments recognized in the Statement of Profit and Loss towards the said leases amounts to ₹2,10,83,314 (Previous Year ₹1,47,96,102).

The future lease payments in respect of the above are as follows:

(Amount in ₹)

Particulars	Current Year	Previous Year
Not later than one year	<b>2,13,32,068</b>	2,12,62,444
Later than one year but not later than five years	<b>1,71,23,461</b>	3,18,00,379

**Note 21 (Continued)****21.5 Earnings Per Equity Share**

In accordance with the Accounting Standard on “Earnings Per Share” (AS-20) issued by the Institute of Chartered Accountants of India:

- (i) The basic earnings per equity share has been calculated based on the net profit after tax of **₹357,77,01,805** (Previous Year ₹318,74,63,597) and **2,52,50,492** (Previous Year 2,52,11,115) number of weighted average equity shares outstanding during the year.
- (ii) Following is the reconciliation between basic and diluted earnings per equity share:

(Amount in ₹)

Particulars	Current Year	Previous Year
Nominal Value Per Share	<b>10.00</b>	10.00
Basic Earnings Per Share	<b>141.69</b>	126.43
Effect of Potential Equity Shares for Stock Options (per share)	<b>(0.87)</b>	(0.39)
Diluted Earnings Per Share	<b>140.82</b>	126.04

- (iii) Basic earnings per equity share has been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share has been computed by dividing net profit after tax by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year. The relevant details as described above are as follows:

Particulars	Current Year	Previous Year
Weighted average number of equity shares used in computing basic earnings per equity share	<b>2,52,50,492</b>	2,52,11,115
Effect of potential equity shares for stock options outstanding	<b>1,55,615</b>	77,952
Weighted average number of equity shares used in computing diluted earnings per equity share	<b>2,54,06,107</b>	2,52,89,067

**21.6 Deferred Tax**

In compliance with the Accounting Standard on “Accounting for Taxes on Income” (AS-22) issued by the Institute of Chartered Accountants of India, the Company has made net deferred tax adjustment of **₹71,440** (Previous Year ₹37,18,630) as per details given below. The amount has been credited (Previous Year credited) to the Statement of Profit and Loss.

(Amount in ₹)

Description	As on March 31, 2013	For the Year	As on March 31, 2014
<b>Assets</b>			
Depreciation	7,67,66,577	<b>11,41,395</b>	<b>7,79,07,972</b>
Provision for Contingencies	5,09,85,000	—	<b>5,09,85,000</b>
Others	17,36,276	<b>(12,92,706)</b>	<b>4,43,570</b>
Total	12,94,87,853	<b>(1,51,311)</b>	<b>12,93,36,542</b>
<b>Liabilities</b>			
Others	14,56,240	<b>(2,22,751)</b>	<b>12,33,489</b>
Net Deferred Tax Asset	12,80,31,613	<b>71,440</b>	<b>12,81,03,053</b>

**Note 21 (Continued)****21.7 Provisions**

In compliance with the Accounting Standard on “Provisions, Contingent Liabilities and Contingent Assets” (AS-29) issued by the Institute of Chartered Accountants of India, balance under Provision for Contingencies amounting to ₹15,00,00,000 represents provision against all contingencies in the business. Movement in Provision for Contingencies account during the year is as under:

(Amount in ₹)

Carrying Amount as at April 1, 2013	Additions during the year	Amounts used during the year	Amounts reversed during the year	Carrying Amount as at March 31, 2014
15,00,00,000	—	—	—	15,00,00,000

**21.8 Contingent Liabilities and Commitments**

Disputed Income Tax demand ₹1,48,80,197 (Previous Year ₹1,86,56,363).

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ 9,35,59,143 (Previous Year ₹14,62,14,254).

**21.9 Sundry Creditors**

Sundry Creditors do not include any amount payable to Small Scale Industrial Undertakings and Micro, Small and Medium Enterprises. Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMEDA) which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of the information and records available with the Management, the following disclosures are made for the amounts due to the Micro, Small and Medium enterprises, which have registered with the competent authorities.

(Amount in ₹)

Particulars	Current Year	Previous Year
Principal amount remaining unpaid to any supplier as at the year end	NIL	NIL
Interest due thereon	NIL	NIL
Amount of interest paid by the Company in terms of Section 16 of the MSMEDA, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	NIL	NIL
Amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMEDA	NIL	NIL
Amount of interest accrued and remaining unpaid at the end of the accounting year	NIL	NIL

**21.10 Accounting for Employee Share Based Payments**

Under Employees Stock Option Scheme 2013 – Series I (ESOS 2013 – Series I), the Company had on 26<sup>th</sup> June 2013 granted 22,000 stock options at an exercise price of ₹2,496/- per option, representing 22,000 equity shares of ₹10/- each to few employees of the Company. The fair value of the Company’s underlying equity shares was determined in accordance with the pricing formula approved by the Remuneration Committee i.e. based on the Price Earning Multiple method and the Assets Under Management (AUM) method.

In terms of ESOS 2013 – Series I, the options vest over a period of 1-2 years from the date of grant. Accordingly, during the year NIL options under ESOS 2013 – Series I (Previous Year NIL) vested. The options can be exercised over a period of five years from the date of vesting.

Under Employees Stock Option Scheme 2012 – Series I (ESOS 2012 – Series I) and Employees Stock Option

**Note 21 (Continued)**

Scheme 2012 – Series II (ESOS 2012 – Series II), the Company had on 14<sup>th</sup> September 2012 granted 8,70,000 stock options at an exercise price of ₹2,129/- per option under ESOS 2012 – Series I, representing 8,70,000 equity shares of ₹10/- each and 90,000 stock options at an exercise price of ₹2,129/- per option under ESOS 2012 – Series II, representing 90,000 equity shares of ₹10/- each to few employees and directors of the Company. The fair value of the Company's underlying equity shares was determined in accordance with the pricing formula approved by the Remuneration Committee i.e. based on the Price Earning Multiple method and the Assets Under Management (AUM) method.

In terms of ESOS 2012 – Series I and ESOS 2012 – Series II, the options vest over a period of 1-2 years and 3-4 years respectively from the date of grant. Accordingly, during the year 8,70,000 options under ESOS 2012 – Series I (Previous Year NIL) vested and NIL options under ESOS 2012 – Series II (Previous Year NIL) vested. The options can be exercised over a period of five years from the date of respective vesting.

Under Employees Stock Option Scheme 2009 – Series I (ESOS 2009 – Series I), the Company had on 25<sup>th</sup> August 2009 granted 1,54,000 stock options at an exercise price of ₹527/- per option, representing 1,54,000 equity shares of ₹10/- each to few employees and directors of the Company. The fair value of the Company's underlying equity shares was determined in accordance with the pricing formula approved by the Remuneration Committee of the Board of Directors of the Company ('Remuneration Committee') i.e. based on the Profit Earning Capacity Valuation (PECV) method and the Assets Under Management (AUM) method.

In terms of ESOS 2009 – Series I, the options vest over a period of 1-2 years from the date of grant. Accordingly, during the year NIL options (Previous Year NIL) vested. The options can be exercised over a period of five years from the date of respective vesting.

Under Employees Stock Option Scheme 2008 – Series I (ESOS 2008 – Series I) and Employees Stock Option Scheme 2008 – Series II (ESOS 2008 – Series II), the Company had on 10<sup>th</sup> March 2008 granted 5,24,000 stock options at an exercise price of ₹390/- per option under ESOS 2008 – Series I, representing 5,24,000 equity shares of ₹10/- each and 10,76,000 stock options at an exercise price of ₹750/- per option under ESOS 2008 – Series II, representing 10,76,000 equity shares of ₹10/- each to few employees and directors of the Company. The fair value of the Company's underlying equity shares was determined in accordance with the pricing formula approved by the Remuneration Committee i.e. based on the Profit Earning Capacity Valuation (PECV) method and the Assets Under Management (AUM) method.

In terms of ESOS 2008 – Series I and ESOS 2008 – Series II, the options vest over a period of 3-4 years from the date of grant. Accordingly, during the year NIL options under ESOS 2008 – Series I (Previous Year NIL) vested and NIL options under ESOS 2008 – Series II (Previous Year NIL) vested. The options can be exercised over a period of five years from the date of respective vesting.

Modifications, if any made to the terms and conditions of Employees Stock Option Schemes (ESOSs), as approved by the Remuneration Committee are disclosed separately.

**Method used for accounting for Share Based Payment Plan:**

The Company has used intrinsic value method to account for the compensation cost of stock options granted to the employees and directors of the Company. Intrinsic value is the amount by which the fair value of the underlying equity share of the Company exceeds the exercise price of the option. Since options under ESOS 2008 – Series I were granted at an exercise price less than the fair value of the underlying equity shares of the Company, the intrinsic value of each option under ESOS 2008 – Series I was ₹360/-. Options under ESOS 2008 – Series II, ESOS 2009 – Series I, ESOS 2012 – Series I, ESOS 2012 – Series II and ESOS 2013 – Series I were granted at the fair value of the underlying equity shares of the Company.

**Note 21 (Continued)****Movement in the Options under ESOS 2008 & ESOS 2009:**

	No. of Options					
	Current Year			Previous Year		
	ESOS 2008		ESOS 2009	ESOS 2008		ESOS 2009
	Series I	Series II	Series I	Series I	Series II	Series I
Outstanding at the beginning of the year	Nil	54,500	5,000	2,10,000	3,08,300	96,500
Granted during the year	Nil	Nil	Nil	Nil	Nil	Nil
Exercised during the year	Nil	5,500	Nil	2,10,000	2,53,800	91,500
Lapsed during the year	Nil	Nil	Nil	Nil	Nil	Nil
Outstanding at the end of the year	Nil	49,000	5,000	Nil	54,500	5,000
Exercisable at the end of the year	Nil	49,000	5,000	Nil	54,500	5,000

**Movement in the Options under ESOS 2012 & ESOS 2013:**

	No. of Options					
	Current Year			Previous Year		
	ESOS 2012		ESOS 2013	ESOS 2012		ESOS 2013
	Series I	Series II	Series I	Series I	Series II	Series I
Outstanding at the beginning of the year	8,70,000	90,000	Nil	Nil	Nil	Nil
Granted during the year	Nil	Nil	22,000	8,70,000	90,000	Nil
Exercised during the year	1,36,000	Nil	Nil	Nil	Nil	Nil
Lapsed during the year	Nil	Nil	Nil	Nil	Nil	Nil
Outstanding at the end of the year	7,34,000	90,000	22,000	8,70,000	90,000	Nil
Exercisable at the end of the year	7,34,000	Nil	Nil	Nil	Nil	Nil

Since all the options were granted at the same exercise price per option under the respective Series, the weighted average exercise price per option under the respective Series is the same.

**Fair Value Methodology:**

The fair value of options used to compute *pro forma* net income and earnings per equity share has been estimated on the date of grant using Black-Scholes model.

The key assumptions used in Black-Scholes model for calculating fair value under ESOS 2008 – Series I, ESOS 2008 – Series II, ESOS 2009 – Series I, ESOS 2012 – Series I, ESOS 2012 – Series II and ESOS 2013 – Series I as on the date of grant were:

Particulars	ESOS 2008–Series I	ESOS 2008–Series II	ESOS 2009–Series I
Date of Grant	10 <sup>th</sup> March 2008	10 <sup>th</sup> March 2008	25 <sup>th</sup> August 2009
Risk-free Interest Rate	7.03% - 7.22% p.a.	7.03% - 7.22% p.a.	6.24% - 6.56% p.a.
Expected Average Life	4 - 6 years	4 - 6 years	3 - 5 years
Expected Volatility	0%	0%	0%
Dividend Yield	1.97% p.a.	1.97% p.a.	2.73% p.a.
Fair Value of the Option	₹407/-	₹155/-	₹66/-

**Note 21 (Continued)**

Particulars	ESOS 2012-Series I	ESOS 2012-Series II	ESOS 2013-Series I
Date of Grant	14 <sup>th</sup> September 2012	14 <sup>th</sup> September 2012	26 <sup>th</sup> June 2013
Risk-free Interest Rate	7.79% p.a.	7.82% - 7.85% p.a.	7.33% p.a.
Expected Average Life	3.54 years	4 - 6 years	3.76 years
Expected Volatility	0%	0%	0%
Dividend Yield	1.93% p.a.	1.93% p.a.	1.91% p.a.
Fair Value of the Option	₹373/-	₹497/-	₹429/-

**Details of modifications in terms and conditions of ESOSs:**

No modifications were made in the terms and conditions of ESOSs during the current year. The Remuneration Committee at its meeting held on 25<sup>th</sup> August 2009 had approved few modifications in exercise price and vesting schedule of the options granted under ESOS 2008 – Series I and ESOS 2008 – Series II. Based on an independent valuation of the fair value of the underlying equity shares of the Company, the exercise price of ₹390/- per option under ESOS 2008 – Series I and exercise price of ₹750/- per option under ESOS 2008 – Series II was revised to ₹274/- per option under ESOS 2008 – Series I and to ₹527/- per option under ESOS 2008 – Series II. The fair value of the Company's underlying equity shares was determined in accordance with the pricing formula approved by the Remuneration Committee i.e. based on the Profit Earning Capacity Valuation (PECV) method and the Assets Under Management (AUM) method.

The options granted under ESOS 2008 – Series I and ESOS 2008 – Series II vest over a period of 3-4 years from the date of grant and can be exercised over a period of five years from the date of respective vesting.

Since options under ESOS 2008 – Series I were granted at an exercise price less than the fair value of the underlying equity shares of the Company, the intrinsic value of each option under ESOS 2008 – Series I stands revised to ₹253/-. Options under ESOS 2008 – Series II were granted at the fair value of the underlying equity shares of the Company.

The options thus modified have been fair valued as at 25<sup>th</sup> August 2009, being the modification date. The key assumptions considered in the pricing model for calculating fair value under ESOS 2008 – Series I and ESOS 2008 – Series II as on the date of modification were:

Particulars	ESOS 2008 – Series I		ESOS 2008 – Series II	
	Original Terms	Modified Terms	Original Terms	Modified Terms
Risk-free Interest Rate	5.85%-6.56% p.a.	6.24%-6.56% p.a.	5.85%-6.56% p.a.	6.24%-6.56% p.a.
Expected Average Life	2 – 5 years	3 – 5 years	2 – 5 years	3 – 5 years
Expected Volatility	0%	0%	0%	0%
Dividend Yield	2.73% p.a.	2.73% p.a.	2.73% p.a.	2.73% p.a.
Fair Value of the Option	₹166/-	₹261/-	₹Nil	₹66/-

The incremental share based compensation determined under fair value method amounts to ₹95/- per option under ESOS 2008 – Series I and ₹66/- per option under ESOS 2008 – Series II. The incremental fair value granted is taken into consideration for the purpose of computing the *pro forma* net income and earnings per equity share.

**Impact of Fair Value Method on Net Profit and Earning Per Share:**

Had compensation cost for the Company's stock options outstanding been determined based on the fair value approach, the Company's net profit and earning per share would have been as per the *pro forma* amounts indicated below:



**Note 21 (Continued)**

(Amount in ₹)

Particulars	Current Year	Previous Year
Net Profit (as reported)	<b>357,77,01,805</b>	318,74,63,597
Add: Stock-based employee compensation expense included in the net income (Gross ₹NIL; Previous Year ₹NIL)	—	—
Less: Stock-based employee compensation expense determined under fair value based method (Gross ₹2,39,68,613; Previous Year ₹17,90,11,403) ( <i>pro forma</i> )	<b>1,59,63,336</b>	12,09,31,153
Net Profit ( <i>pro forma</i> )	<b>356,17,38,469</b>	306,65,32,444

(Amount in ₹)

Particulars	Current Year	Previous Year
Basic Earning Per Share (as reported)	<b>141.69</b>	126.43
Basic Earning Per Share ( <i>pro forma</i> )	<b>141.06</b>	121.63
Diluted Earning Per Share (as reported)	<b>140.82</b>	126.04
Diluted Earning Per Share ( <i>pro forma</i> )	<b>140.23</b>	121.42

- 21.11 (a) In terms of interim order dated 17 June 2010 and letter dated 5 July 2011 received from Securities and Exchange Board of India (SEBI), the Company has deposited ₹2,58,62,200 with HDFC Trustee Company Limited representing estimated losses incurred by the schemes of HDFC Mutual Fund /clients of the Company on suspected “front running” of the orders of HDFC Mutual Fund by a dealer of the Company. This amount is held by HDFC Trustee Company Limited in an account segregated for this purpose, till further orders by SEBI are received in this matter. The said amount has been included under Short-Term Loans and Advances (Note 15).
- (b) The exact liability, if any on the Company in connection with the aforesaid matter cannot be determined at this stage.
- 21.12 During the year, the Company and HDFC Trustee Company Limited have jointly entered into a Scheme Transfer Agreement with Morgan Stanley Investment Management Private Limited and Board of Trustees of Morgan Stanley Mutual Fund to acquire the right to operate, administer, manage schemes of Morgan Stanley Mutual Fund and the right to assume the trusteeship and takeover of the schemes of Morgan Stanley Mutual Fund respectively. The proposed transaction is subject to the approval of the Securities and Exchange Board of India and the Unit holders of the schemes of Morgan Stanley Mutual Fund. The incidental expenses to the said transaction, amounting to ₹15,10,000 has been shown under Short-Term Loans and Advances (Note 15).
- 21.13 The Company is entitled to performance Linked Fees under HDFC AMC PMS – REAL ESTATE PORTFOLIO – I. The Company is also liable to pay a part of it to the Advisors. The income which is accrued but not due on this account and the corresponding expenditure of ₹49,70,74,174 (forming part of Trade Payables) are based on certain assumptions.
- 21.14 **Income in Foreign Currency**

(Amount in ₹)

	Current Year	Previous Year
Investment Advisory Fee	<b>90,17,108</b>	72,86,390
Interest Income	<b>16,119</b>	20,112

**Note 21 (Continued)****21.15 Payments in Foreign Currency****A) Expenditure**

(Amount in ₹)

	Current Year	Previous Year
i) Staff Training Expenses	<b>6,88,125</b>	—
ii) Travelling Expenses	<b>6,50,636</b>	18,45,882
iii) Overseas Representative Office Expenses	<b>1,27,77,689</b>	1,36,14,414
iv) Professional Fees	<b>41,13,593</b>	5,07,505
v) Business Promotion	<b>2,20,09,457</b>	43,50,000

**B) Dividend**

(Amount in ₹)

	Current Year	Previous Year
Interim Dividend on Equity Shares		
(a) Year to which the dividend relates	<b>2013-14</b>	2012-13
(b) Number of non-resident shareholders	<b>1</b>	1
(c) Number of Shares held	<b>1,00,64,400</b>	1,00,64,400
(d) Amount Remitted (Gross)	<b>50,32,20,000</b>	44,28,33,600

**21.16 Comparative Figures**

Figures for the Previous Year have been regrouped/rearranged, wherever necessary.

For and on behalf of the Board

**Deepak S. Parekh**  
Chairman

Directors

**James Aird**  
**Hoshang S. Billimoria**  
**Deepak B. Phatak**  
**Vijay Merchant**  
**Renu Sud Karnad**  
**P. M. Thampi**  
**Rajeshwar Raj Bajaaj**  
**Humayun Dhanrajgir**

MUMBAI  
April 16, 2014

**Milind Barve**  
Managing Director

**Piyush Surana**  
Chief Financial Officer

**Sylvia Furtado**  
Company Secretary