

# HDFC Asset Management Company Limited

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A Subsidiary of  
Housing Development Finance Corporation Limited

SIXTEENTH ANNUAL REPORT 2014-15

## Board of Directors

Mr. Deepak S. Parekh

(DIN: 00009078)

**Chairman**

### Directors

Mr. Norman Keith Skeoch

(DIN: 00165850)

Mr. James Aird

(DIN: 01057384)

Mr. Hoshang Billimoria

(DIN: 00005003)

Mr. P. M. Thampi

(DIN: 00114522)

Dr. Deepak B. Phatak

(DIN: 00046205)

Mr. Humayun Dhanrajgir

(DIN: 00004006)

Ms. Renu Sud Karnad

(DIN: 00008064)

Mr. Rajeshwar R. Bajaj

(DIN: 00419623)

Mr. Keki M. Mistry

(DIN: 00008886)

Mr. Vijay Merchant

(DIN: 01773227)

Mr. Milind Barve

**Managing Director**

(DIN: 00087839)

### Auditors

Haribhakti & Co., LLP

Chartered Accountants

### Key Managerial Personnel

(Appointed w.e.f. June 13, 2014)

Mr. Piyush Surana

**Chief Financial Officer**

(ICAI Membership No.: 72979)

Ms. Sylvia Furtado

**Company Secretary**

(Membership No.: A17976)

### 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. : 022-6658 0203

CIN: U65991MH1999PLC123027

Website: www.hdfcfund.com

## Directors' Report

TO THE MEMBERS

Your Directors have the pleasure in presenting the Sixteenth Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2015.

### State of Affairs of the Company

Financial Results	For the year ended March 31, 2015 (₹ in Crore)	For the year ended March 31, 2014 (₹ in Crore)
Profit before Tax	<b>622.60</b>	522.45
Provision for Tax (Net Deferred Tax)	<b>207.08</b>	164.57
Short provision of Income Tax for earlier years (net)	<b>0.02</b>	0.11
Profit after Tax	<b>415.50</b>	357.77
Balance brought forward from previous year	<b>760.04</b>	590.04
Profit available for appropriation	<b>1,175.54</b>	947.81
Transfer to General Reserve	<b>41.55</b>	35.78
Capital Redemption Reserve	—	0.14
Interim Equity Dividend Paid	<b>164.07</b>	126.20
Tax on Interim Equity Dividend Paid	<b>32.80</b>	21.45
Tax on Buyback of Equity Shares	—	4.20
Balance carried to Balance Sheet	<b>937.12</b>	760.04

For the year ended March 31, 2015, the Company posted a net profit of ₹ 415.50 crores as against ₹ 357.77 crores in the previous year. Appropriations from the net profit have been effected as per the table given above.

### Dividend

Your Directors had declared and paid interim dividend of ₹ 65/- per equity share during the financial year ended March 31, 2015 in the month of March 2015 and the same is confirmed as final dividend for the financial year ended March 31, 2015.

### Transfer to General Reserves

A sum of ₹ 41.55 crore has been transferred to the General Reserves of the Company.

### Material Changes and Commitments, if any, affecting the financial position of the Company

There have been no material changes

and commitments affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

### Review of Operations

Your Directors are pleased to report that:

The Average Assets under Management (AAuM) during the financial year 2014-15 were ₹ 1,45,860.97 crore as against an AAuM of ₹ 1,07,554 crore during the financial year 2013-2014, representing an increase of over 35%.

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 52.10 lacs as on March 31, 2015. The number of Investor Service Centres (ISCs) of the Company as on March 31, 2015 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 (218 as on March 31, 2015) 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 ₹ 1,110 crore as on March 31, 2015. Discretionary and Non-Discretionary Portfolio Management is provided to High Networth Individuals and Corporate(s) on a segregated basis while Advisory services are provided to Institutional Investors and Corporate(s).

Your company under Portfolio Management Services had offered “HDFC AMC PMS - Real Estate Portfolio - 1” to resident individuals and corporate(s) 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 ₹ 2,811 crore till 31st March 2015 and extended the term of “HDFC AMC PMS - Real Estate Portfolio - 1” for two additional periods of one year each upon the expiry of

sixth anniversary on February 4, 2014.

#### **New Schemes launched under HDFC Mutual Fund**

In order to offer more investment options to investors, your company has launched the following Schemes during FY 14-15:

**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. All plans in this scheme have been rated by ICRA. It is a debt hybrid scheme with marginal exposure of about 15-20% to equities. Your company has launched 2 plans having tenure of 3 years and 3 plans having tenure of 1100 days and above. Cumulatively these funds have mobilized Rs 602.55 crore. Upon maturity, each plan shall be automatically terminated and amount due shall be returned to its investors.

**HDFC Focused Equity Fund Plan A:** It is a close-ended Equity Scheme investing in Eligible Securities as per Rajiv Gandhi Equity Savings Scheme, 2012. The scheme matures after 1100 days 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 ₹ 150 crore in the NFO.

**HDFC Fixed Maturity Plans:** These are close-ended income schemes. They automatically mature at the end of the tenure. We have launched 42 plans during the year with mobilization of ₹ 5,416.88 crore.

#### **Acquisition of the schemes of Morgan Stanley Mutual Fund**

The Company acquired the right to manage 8 schemes of Morgan Stanley Mutual Fund as on closing of business hours of June 27, 2014 and HDFC Trustee Company Limited became Trustee to the Schemes of Morgan Stanley Mutual Fund and assumed the role, responsibility, authority and functions of Trustee to the schemes of Morgan Stanley Mutual Fund under HDFC Mutual Fund Trust Deed.

#### **Awards**

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

##### **1) Morningstar India Fund Awards 2015 #**

✧ HDFC Multiple Yield Fund – Plan 2005 won the “**Best Conservative Allocation Fund**”.

✧ HDFC Floating Rate Income Fund – Long Term Plan won the “**Best Ultrashort Bond Fund**”.

##### **2) Business Standard**

✧ Mr. Prashant Jain won the “**Business Standard Fund Manager of the Year – Equities**” Award for the calendar year ended December 31, 2014.

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

##### **1) CNBC Awaaz Real Estate Awards 2014 #**

✧ HDFC AMC PMS – Real Estate Portfolio - I won the “**Best Real Estate Fund**” 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.

### **Disclosures Under the Companies Act, 2013**

#### **Extract of Annual Return as on the Financial Year Ended on March 31, 2015**

The details forming part of the extract of the annual return as on the financial year ended March 31, 2015 is attached hereto as **Annexure I**.

#### **Details of Directors and Key Managerial Personnel (KMP) appointed during the year**

##### **Directors**

In accordance with the Companies Act, 2013 and the Articles of Association of the Company, Ms. Renu Sud Karnad and Mr. James Aird, 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 164 of the Companies Act, 2013.

##### **KMP**

In accordance with the provisions of Section 203 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Mr. Milind Barve, Managing Director, Mr. Piyush Surana, Chief Financial Officer and Ms. Sylvia Furtado, Company Secretary of the Company, who are existing employees of the Company were termed as the Key Managerial Personnel (KMP) of the

Company w.e.f. June 13, 2014. Upon his re-appointment as the Managing Director of the Company, Mr. Milind Barve was re-confirmed as KMP of the Company w.e.f. November 1, 2014.

##### **Independent Directors**

In accordance with the provision of Section 149 of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014, Mr. Hoshang Billimoria, Mr. Humayun Dhanrajgir, Mr. P.M. Thampi, Dr. Deepak Phatak, Mr. Rajeshwar Bajaaj and Mr. Vijay Merchant were appointed as Independent Directors, not liable to retire by rotation and to hold office up to 5 (five) consecutive years up to July 20, 2019.

All the aforesaid six Directors have confirmed compliance with the criteria of independence prescribed under Section 149(6) of the Act. Declarations in this regard have been received from all of them as required under Section 149(7) of the Companies Act, 2013.

None of the Independent Directors of the Company are disqualified for being appointed as Directors as specified in Section 164 of the Companies Act, 2013.

##### **Statement on Declaration of Independence by Independent Directors**

In accordance with the provisions of Section 134(3)(d) of the Companies Act, 2013, Mr. Hoshang Billimoria, Mr. Humayun Dhanrajgir, Mr. P.M. Thampi, Dr. Deepak Phatak, Mr. Rajeshwar Bajaaj and Mr. Vijay Merchant, Independent Directors, have given their respective declarations stating that they meet the criteria of independence as provided in Section 149(6) of the

Companies Act, 2013 at the time of their appointment as Independent Directors of the Company.

##### **Corporate Governance:**

##### **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 16, 2014, June 13, 2014, July 21, 2014, October 22, 2014, November 21, 2014 and January 15, 2015.

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

Directors	Number of Board Meetings Attended
Mr. Deepak S. Parekh (Chairman)	6
Mr. Norman Keith Skeoch	3
Mr. James Aird	5
Mr. Humayun Dhanrajgir	5
Mr. Hoshang Billimoria	6
Mr. P. M. Thampi	5
Dr. Deepak B. Phatak	4
Ms. Renu Sud Karnad	6
Mr. Rajeshwar R. Bajaaj	6
Mr. Keki Mistry	5
Mr. Vijay Merchant	6
Mr. Milind Barve (Managing Director)	6

##### **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 177 of the Companies Act, 2013 ("Act") read with Companies (Meeting of Board and its Powers) Rules, 2014. The Company Secretary acts as the secretary to the Committee. The Committee met 6 times during the financial year under review. The Audit Committee met prior to the finalization of the accounts for the year ended March 31, 2015.

#### **Nomination & Remuneration Policy**

The Nomination & Remuneration Policy of the Company was adopted on January 15, 2015, which details the Director's appointment, remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of Section 178 and the Policy is provided in **Annexure II** which is appended hereto.

#### **Issue of Employee Stock Options**

During the year, the Company has not granted any fresh employee stock options.

#### **Voting Rights not exercised directly by Employees – Not applicable**

#### **Formal Annual Evaluation**

During the year, the Board adopted a formal mechanism for evaluating its performance and as well as that of its Committees and individual Directors, including the Chairman of the Board. The evaluation involved self assessment by Board members, performance of the Board and Chairman in the form of questionnaire, which assessed the performance on the basis of various aspects namely board composition, mission and strategic planning, accountability, strategic foresight, risk management, standards of conduct,

interaction with senior management, compensation of non-executive directors, role of non-executive chairman, role of non-executive directors, committees of directors – evaluation, compliance, reflections and also self evaluation. The evaluation of the Independent Directors was carried out by the entire Board and that of the Chairman and the Non-Independent Directors were carried out by the Independent Directors. The Directors were satisfied with the evaluation results, which reflected the overall engagement of the Board and its Committees with the Company.

#### **Auditors**

M/s. Haribhakti & Co., LLP, 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.

#### **Secretarial Audit Report**

The provisions of Section 204 read with Section 134(3) of the Companies Act, 2013, mandates Secretarial Audit of the Company to be done from the financial year commencing from April 1, 2014 by a Company Secretary in Practice and the Secretarial Auditor's Report is required to be annexed to the Board's Report for the financial year 2014-15 onwards. The Board has therefore considered and appointed M/s. Bhandari & Associates, Company Secretaries, as the Secretarial Auditor of the Company for the financial year 2014-15. The Secretarial Audit Report

issued by them is given in **Annexure III** forming part of this Report.

#### **Comments by the Board on every qualification, reservation or adverse remark or disclaimer made by the auditor in his report or Company Secretary in practice in the Secretarial Audit Report**

There were no qualifications, reservation or adverse comments or disclaimer made by the Statutory Auditors of the Company, M/s. Haribhakti & Co., LLP and Secretarial Auditor of the Company, M/s. Bhandari & Associates, in their audit reports.

#### **Risk Management Policy**

The Company has evolved an Enterprise Risk Management (ERM) framework to identify, assess, monitor and mitigate various business risks. The Risk Management Policy of the Company reviewed by the Audit Committee and approved by the Board provides for the ERM framework which incorporates the systematic application of policies, procedures and checks to identify potential risks and lessen their impact on the Company involving – identifying potential risks, assessing their potential impact, taking action to minimize the potential impact and monitoring and reporting on the status of key risks on a regular basis. The Risk Management Committee of the Company at their meetings periodically reviews the processes that are already in place to check the adequacy of risk management systems.

#### **Adequacy of Internal Controls**

The internal audit system of the Company has been devised to promote reliable financial reporting, safeguarding of assets and

prevention and detection of frauds and errors and which is adequate for internal financial controls with reference to financial statements and commensurate with the business and the operations of the Company. The Audit Committee of Board of Directors, at regular intervals and in co-ordination with Internal and Statutory Auditors, reviews the adequacy of Internal Control Systems within the company.

#### Corporate Social Responsibility

The CSR Committee has been constituted and functions in accordance with the provisions of Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014. The members of the Corporate Social Responsibility Committee

("CSR Committee") are Mr. Deepak Parekh (Chairman), Mr. Vijay Merchant and Mr. Milind Barve (Managing Director). The Company Secretary acts as the secretary to the Committee. The Committee met twice during the financial year under review. The Corporate Social Responsibility Policy of the Company and annual report on CSR activities is given in **Annexure IV** forming part of this Report.

#### Particulars of Contracts/ Arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

All related party transactions entered

during the financial year were in the ordinary course of business for the company and were on arm's length basis. Since all related party transactions entered into by the company were not material in nature and were in the ordinary course of business and on an arm's length basis, form AOC-2 is not applicable to the company.

#### Particulars of Loans, Guarantees or Investments under Section 186 of the Companies Act, 2013

The Company has made investments in body corporate(s) and in units of Schemes of Mutual Fund pursuant to Section 186 of the Companies Act, 2013. Details of the investments are provided hereunder category-wise viz. Body Corporate and others i.e. Mutual Funds:

Name of the Body Corporate	Amount / Outstanding Amount (in ₹)	Particulars of Loans, Guarantees and Investments	Purpose for which the Loan, Guarantee and investment are proposed to be utilised
HDFC Mutual Fund	513,37,94,188	Investments under different schemes of HDFC Mutual Fund	Investment of surplus funds
Fearing Capital India Evolving Fund	18,07,16,332	Venture Fund	Investment of surplus funds
National Highways Authority of India	6,18,09,000	Tax-free Secured Redeemable Non-Convertible Bonds - 8.20% 10-Year Plan	Investment of surplus funds
Indian Railway Finance Corporation Ltd.	16,31,31,000	Tax-free Secured Redeemable Non-Convertible Bonds - 8% 10-Year Plan	Investment of surplus funds
L&T Finance Holdings Ltd.	36,52,52,200	8.75% Cum Redeemable Preference Shares	Investment of surplus funds
Rural Electrification Corporation Ltd.	19,99,83,200	Tax-Free Secured Redeemable Non-Convertible Bonds 8.46% - 15 Years	Investment of surplus funds
Infrastructure Leasing & Financial Services Limited	40,00,00,000	16.06% Redeemable Preference Shares	Investment of surplus funds
MF Utilities India Pvt. Limited	5,00,000	Unlisted Equity Shares	Investment of surplus funds
<b>Total</b>	<b>650,51,85,920</b>		

**Note:** Details of every investment made by the Company is mentioned in the financial statements.

### **Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

Your Company has a policy on Prevention of Sexual Harassment at Workplace aiming at prevention of harassment of employees and also lays down the guidelines for identification, reporting and prevention of undesired behaviour. 7 (seven) Internal Complaints Committees (ICC) comprising 6 (six) members each were constituted in accordance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 with women employees constituting majority. The ICC is responsible for redressal of complaints related to sexual harassment and follows the guidelines provided in the Policy. During the year, the ICCs did not receive any complaints pertaining to sexual harassment.

### **Deposits**

During the year under review, the Company has not accepted any deposits as covered under Chapter V of the Companies Act, 2013.

### **Subsidiary Companies**

There are no subsidiary or associate or joint venture companies during the year.

### **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 134(3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 are not applicable.

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

- Foreign exchange (earnings): ₹ 0.89 crore (previous year: ₹ 0.90 crore)
- Foreign exchange (expenditure): ₹ 71.68 crore (previous year: ₹ 54.35 crore) (including Equity Dividend)

### **Particulars of Employees**

As on March 31, 2015, the Company has 613 employees and for the previous year, the Company had 625 employees.

### **Directors' Responsibility Statement**

In accordance with the provisions of Section 134(5) of the Companies Act, 2013 and based on the information provided by the management, your Directors state that:

(i) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(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, 2015 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, 2013, 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;

(v) Proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### **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 21, 2015

**DEEPAK S. PAREKH**  
Chairman  
(DIN: 00009078)

**CIN No.:** U65991MH1999PLC123027

**Registered Office:**

HUL House, 2<sup>nd</sup> Floor, H. T. Parekh Marg  
165 - 166, Backbay Reclamation, Churchgate  
Mumbai - 400 020  
Tel.: 022 - 6631 6333, Fax: 022 - 66580203  
Website: [www.hdfcfund.com](http://www.hdfcfund.com)

## ANNEXURE I

## EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON MARCH 31, 2015

## I. REGISTRATION AND OTHER DETAILS:

- i. **CIN:** U65991MH1999PLC123027
- ii. **Registration Date:** 10—Dec—1999
- iii. **Name of the Company:** HDFC Asset Management Company Limited
- iv. **Category /Sub—Category of the Company:** Public Company
- v. **Address of the Registered Office and contact details:** “HUL House”, 2<sup>nd</sup> Floor, H.T. Parekh Marg, 165—166, Backbay Reclamation, Churchgate, Mumbai – 400 020  
**Contact Person:** Ms. Sylvia Furtado (Company Secretary)  
**Contact Number:** +91 22 66580215
- vi. **Whether listed company:** No
- vii. **Name, Address and Contact details of Registrar and Transfer Agent:** MCS Limited (for dematerialized shares of the Company)  
**Address:** Office No 21 & 22, Gr. Floor, Kashiram Jamnadas Bldg, 5, P.D. Mello Road, Nr. Ghadiyal Godi, Masjid (East), Mumbai — 400 009  
**Contact Person:** Mr. Ramesh Gawde  
**Contact Number:** +91 22 67439092

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:—

Sr. No.	Name and Description of main Products / Services	NIC Code of the Product/ Service	% to Total Turnover of the Company
1.	Investment Manager	66301	90.07

## III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

Sr. No.	Name and Address of the Company	CIN	Holding/ Subsidiary/ Associate	% of Shares Held	Applicable Section
1.	HDFC Limited Ramon House, 169, Backbay Reclamation, Churchgate, Mumbai - 400 020	L70100MH1977PLC019916	Holding Company	59.81%	2(46)



**IV. SHAREHOLDING PATTERN (Equity Share Capital Break-up as percentage of Total Equity):****(i) Category-wise Shareholding**

Category of Shareholders	No. of Shares Held at the beginning of the year				No. of Shares Held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	—	—	—	—	—	—	—	—	—
b) Central Govt.	—	—	—	—	—	—	—	—	—
c) State Govt.	—	—	—	—	—	—	—	—	—
d) Bodies Corp.	1,50,96,530	70	1,50,96,600	59.81	1,50,96,530	70	1,50,96,600	59.81	NIL
e) Banks/FI	—	—	—	—	—	—	—	—	—
f) Any Other	—	—	—	—	—	—	—	—	—
Sub-total (A) (1)	1,50,96,530	70	1,50,96,600	59.81	1,50,96,530	70	1,50,96,600	59.81	NIL
(2) Foreign									
a) NRIs- Individuals	—	—	—	—	—	—	—	—	—
b) Other - Individuals	—	—	—	—	—	—	—	—	—
c) Bodies Corp.	—	—	—	—	—	—	—	—	—
d) Banks / FI	—	—	—	—	—	—	—	—	—
e) Any Other	—	—	—	—	—	—	—	—	—
Sub-total (A) (2)	—	—	—	—	—	—	—	—	—
Total Shareholding of Promoter (A) = (A)(1)+(A)(2)	1,50,96,530	70	1,50,96,600	59.81	1,50,96,530	70	1,50,96,600	59.81	NIL
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	—	—	—	—	—	—	—	—	—
b) Banks / FI	—	—	—	—	—	—	—	—	—
c) Central Govt.	—	—	—	—	—	—	—	—	—
d) State Govt.	—	—	—	—	—	—	—	—	—
e) Venture Capital Funds	—	—	—	—	—	—	—	—	—
f) Insurance Companies	—	—	—	—	—	—	—	—	—
g) FIs	—	—	—	—	—	—	—	—	—
h) Foreign Venture Capital Funds	—	—	—	—	—	—	—	—	—
i) Others	—	—	—	—	—	—	—	—	—
Sub-total (B)(1)	—	—	—	—	—	—	—	—	—

**IV. SHAREHOLDING PATTERN (Equity Share Capital Break-up as percentage of Total Equity): (Continued)**

Category of Shareholders	No. of Shares Held at the beginning of the year				No. of Shares Held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
2. Non-Institutions									
a) Bodies Corp. (Overseas)	1,00,64,400	—	1,00,64,400	39.87	1,00,64,400	—	1,00,64,400	39.87	NIL
b) Individuals									
i) Individual Shareholders holding nominal share capital upto ₹ 1 lakh	4,800	—	4,800	0.02	4,800	—	4,800	0.02	NIL
ii) Individual Shareholders holding nominal share capital in excess of ₹ 1 lakh	75,000	—	75,000	0.30	75,000	—	75,000	0.30	NIL
c) Others	—	—	—	—	—	—	—	—	—
Sub-total (B)(2)	1,01,44,200	—	1,01,44,200	40.19	1,01,44,200	—	1,01,44,200	40.19	NIL
Total Public Shareholding (B)=(B)(1)+(B)(2)	1,01,44,200	—	1,01,44,200	40.19	1,01,44,200	—	1,01,44,200	40.19	NIL
C. Shares held by Custodian for GDRs & ADRs: NIL									
Grand Total (A+B+C)	2,52,40,730	70	2,52,40,800	100	2,52,40,730	70	2,52,40,800	100	NIL

**(ii) Shareholding of Promoters**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change during the year
		No. of Shares	% of Total Shares of the Company	% of Shares Pledged/ Encumbered to Total Shares	No. of Shares	% of Total Shares of the Company	% of Shares Pledged/ Encumbered to Total Shares	
1.	HDFC Limited	1,50,96,600	59.81	—	1,50,96,600	59.81	—	NIL

**(iii) Change in Promoters' Shareholding**

There is no change in the shareholding of the Promoters.

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

Sl. No.	Top 10 Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company
1.	Standard Life Investments Limited	1,00,64,400	39.87	1,00,64,400	39.87
2.	Mr. Srikanth G.	1,500	—	1,500	—
3.	Mr. Amitabh Prakash	1,100	—	1,100	—
4.	Mr. Prashantkumar Rajendra Jain	1,000	—	1,000	—
5.	Ms. Preenaz Morena	500	—	500	—
6.	Mr. Abhijit Mungale	500	—	500	—
7.	Mr. Arthur Salvador Costa	200	—	200	—

**(v) Shareholding of Directors and Key Managerial Personnel:**

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
	Name of the Director	No. of Shares	% of Total Shares of the company	No. of Shares	% of Total Shares of the Company
1.	Mr. Deepak Parekh	30,000	—	30,000	—
2.	Mr. Keki Mistry	22,500	—	22,500	—
3.	Ms. Renu Sud Karnad	22,500	—	22,500	—

Key Managerial Personnel hold 'NIL' shareholding in the Company.

**V. INDEBTEDNESS:**

Indebtedness of the Company including interest outstanding/accrued but not due for payment – NIL

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:****A. Remuneration to Managing Director (MD):**

Sl. No.	Particulars of Remuneration	Name of MD	Total Amount (₹)
		Mr. Milind Barve	
1.	Gross salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	5,82,22,848	5,82,22,848
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	89,375	89,375
	(c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961	—	—

Sl. No.	Particulars of Remuneration	Name of MD	Total Amount (₹)
		Mr. Milind Barve	
2.	Stock Option	—	—
3.	Sweat Equity	—	—
4.	Commission		
	- as % of profit	—	—
	- others, specify...	—	—
5.	Others, please specify	—	—
	<b>Total (A)</b>	<b>5,83,12,223</b>	<b>5,83,12,223</b>
	Ceiling as per the Act	5% of the net profits of the Company	

**B. Remuneration to other Directors:****I: Independent Directors**

Sl. No.	Particulars of Remuneration	Name of Directors						Total Amount (₹ in lacs)
		Mr. Hoshang Billimoria	Mr. Humayun Dhanrajgir	Mr. Vijay Merchant	Mr. P.M. Thampi	Mr. Rajeshwar Bajaj	Dr. Deepak Phatak	
1.	Fee for attending Board / Committee Meetings	19.00	15.80	13.60	15.60	11.60	6.60	82.20
2.	Commission	—	—	—	—	—	—	—
3.	Others	1.00	1.00	1.00	1.00	1.00	1.00	6.00
	<b>Total (1)</b>	<b>20.00</b>	<b>16.80</b>	<b>14.60</b>	<b>16.60</b>	<b>12.60</b>	<b>7.60</b>	<b>88.20</b>

**II: Other Non-Executive Directors**

Sl. No.	Particulars of Remuneration	Name of Directors					Total Amount (₹ in lacs)
		Mr. Deepak Parekh	Mr. Keki Mistry	Mr. James Aird	Mr. Norman Skeoch	Ms. Renu S. Karnad	
1.	Fee for attending board / committee meetings	13.80	14.20	0.60	NIL	11.60	40.20
2.	Commission	—	—	—	—	—	—
3.	Others	—	—	—	—	—	—
	<b>Total (2)</b>	<b>13.80</b>	<b>14.20</b>	<b>0.60</b>	<b>NIL</b>	<b>11.60</b>	<b>40.20</b>
	<b>Total (B)=(1+2)</b>						<b>128.40</b>
	Ceiling as per the Act	1% of the Net Profits of the Company					

## C. Remuneration to Key Managerial Personnel other than MD:

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount (₹)
		Chief Financial Officer	Company Secretary	
		Mr. Piyush Surana	Ms. Sylvia Furtado	
1.	Gross salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	1,13,41,860	52,11,056	1,65,52,916
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	—	—	—
	(c) Profits in lieu of salary under Section 17(3) Income tax Act, 1961	—	—	—
2.	Stock Option	—	—	—
3.	Sweat Equity	—	—	—
4.	Commission			
	- as % of profit	—	—	—
	- others	—	—	—
5.	Others	—	—	—
	<b>Total (C)</b>	<b>1,13,41,860</b>	<b>52,11,056</b>	<b>1,65,52,916</b>

## VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

NIL



## ANNEXURE II

### NOMINATION & REMUNERATION POLICY

The Remuneration Committee of HDFC Asset Management Company Limited (“the Company”) was constituted on March 14, 2002 consisting of three Independent Directors. In order to align with the provisions of the Companies Act, 2013, the Board on April 16, 2014 revised the Terms of Reference of the Committee and renamed it as “Nomination & Remuneration Committee”.

#### 1. OBJECTIVE:

The Nomination & Remuneration Committee has approved this Policy which is in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto.

#### 2. DEFINITIONS:

- I. “Act” means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- II. “Board” means Board of Directors of the Company.
- III. “Committee” means Nomination & Remuneration Committee.
- IV. “Directors” mean Directors of the Company.
- V. “Key Managerial Personnel” (KMP) means—
  - (i) Chief Executive Officer or the Managing Director or the Manager;
  - (ii) Company Secretary,
  - (iii) Whole-time Director;
  - (iv) Chief Financial Officer; and
  - (v) Such other officer as may be prescribed.
- VI. “Senior Management”
  - means personnel of the company who are members of its core management team excluding the Board of Directors comprising all members of management one level below the executive directors, including the functional heads; and
  - any person who, under the immediate authority of the Board or any key managerial personnel, is charged with any responsibility.
- VII. “Policy” means Nomination & Remuneration Policy.

#### 3. GUIDING PRINCIPLES:

The policy is framed with the following objectives:

1. That the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully;
2. That the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
3. That the remuneration to Directors, Key Managerial Personnel (KMP), Senior Management Personnel and other employees of the Company involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals;
4. To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-Executive) and persons who may be appointed in Senior Management, Key Managerial positions and to determine their remuneration;
5. To determine remuneration based on the Company’s size and financial position and trends and practices on remuneration prevailing in peer companies, in the industry;
6. To carry out evaluation of the performance of Directors, as well as Key Managerial and Senior Management Personnel and to provide for reward(s) linked directly to their effort, performance, dedication and achievement relating to the Company’s operations;

7. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage; and
8. To lay down criteria for appointment, removal of Directors, Key Managerial Personnel and Senior Management Personnel.

#### **4. APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT:**

##### **➤ Appointment Criteria and Qualifications:**

1. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
2. The person for the appointment of directors should fit the criteria prescribed by SEBI for all Mutual Funds vide its circular no. MFD/CIR/11/354/2001 dated December 20, 2001 and any amendments made thereto.
3. For any other appointment i.e. of Senior Management and KMP, the person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient/satisfactory for the concerned position.
4. The Company shall not appoint or continue the employment of any person as Managing Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

##### **➤ Term / Tenure:**

##### **1. Managing Director:**

The Company shall appoint or re-appoint any person as its Managing Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

##### **2. Independent Director:**

- i. Subject to the provisions of the Companies Act, 2013 and applicable provisions of SEBI Mutual Fund Regulations, an Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure(s) of such appointment in the Board's report.
- ii. No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly. Any tenure of an Independent Director on the date of commencement of this Act shall not be counted as a term under the aforesaid criterias.
- iii. The appointment of Independent Director will be subject to the approval of the Trustee Company and compliance with the requirements prescribed by SEBI for all Mutual Funds vide its circular no. MFD/CIR/11/ 354/ 2001 dated December 20, 2001 and any amendments made thereto the said circular.

##### **➤ Evaluation:**

- The Committee shall carry out evaluation of performance of KMP and Senior Management at regular interval (yearly).
- The Committee will lay down the criteria for evaluation of the performance of every Director for Board's evaluation.

➤ **Removal:**

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management subject to the provisions and compliance of the said Act, rules and regulations.

➤ **Retirement:**

The KMP and Senior Management shall retire as per the applicable provisions of the Companies Act, 2013, Rules made thereunder and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management in the same position / remuneration or otherwise even after attaining the retirement age for the benefit of the Company.

➤ **Matters relating to the Remuneration, Perquisites for the Directors, Managing Director, KMP and Senior Management Personnel**

1. The remuneration / compensation / profit-linked commission etc. to the Managing Director will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / profit-linked commission etc. shall be in accordance with the percentage / slabs / conditions laid down in the Companies Act, 2013, Rules made thereunder and Schedule V and shall be subject to the prior / post-approval of the shareholders of the Company and Central Government, wherever required.
2. As regards the remuneration of KMP, Senior Management Personnel and other employees, the determination shall be effected by way of annual presentation containing the proposed performance bonus payouts for the current financial year as well as the proposed increments for the next financial year. The Committee shall peruse the same and approve accordingly unless required under relevant regulations, to refer the same to the Board of Directors and / or Shareholders of the Company.
3. Organisation-wide Increments to the existing remuneration / compensation structure to the KMP / Senior Management Personnel shall be approved by the Committee. Increments to the Managing Director should be within the slabs approved by the Shareholders. Increments will be effective from 1st April in respect of a Managing Director as well as in respect of other employees of the Company, unless otherwise decided.
4. Stock Options may be granted to Directors including the Managing Director but not the Independent Directors and only such employees of the Company as approved by the Committee.
5. Where any insurance is taken by the Company on behalf of its Directors for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.
6. Remuneration of Managing Director:
  - The Managing Director shall be eligible for remuneration as may be approved by the Shareholders of the Company on the recommendation of the Committee and the Board of Directors. The break-up of the pay scale, performance bonus and quantum of perquisites including, employer's contribution to P.F, gratuity, club fees etc. shall be decided and approved by the Board on the recommendation of the Committee and shall be within the overall remuneration approved by the shareholders and Central Government, wherever required.
  - **Minimum Remuneration** – If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director in accordance with the provisions of the Companies Act, 2013 and if it is not able to comply with such provisions, then with the previous approval of the Central Government.

- **Stock Options** – Stock Options may be granted to the Managing Director of the Company as approved by the Committee.

7. Remuneration of Independent Director:

- **Sitting Fees** – The Non-executive Independent Directors of the Company shall be paid sitting fees as per the applicable Regulations. The quantum of sitting fees will be determined as per the recommendation of the Committee and approved by the Board of Directors of the Company. Further the expenses for participation in the Board and other meetings shall be reimbursed to the Directors.
- **Profit-linked Commission** – The profit-linked Commission may be paid within the monetary limit approved by the shareholders of the Company subject to the same not exceeding 1% of the net profits of the Company computed as per the applicable provisions of the Regulations.
- **Stock Options** – Pursuant to the provisions of the Act, an Independent Director shall not be entitled to any stock option of the Company.

8. Remuneration of Non-Independent Director:

- **Sitting Fees** – The Non-Independent Directors of the Company shall be paid sitting fees as per the applicable Regulations. The quantum of sitting fees will be determined as per the recommendation of the Committee and approved by the Board of Directors of the Company and also as per the provisions of internal company policies applicable to them. Further the expenses for participation in the Board and other meetings shall be reimbursed to the Directors;
- **Stock Options** – Stock Options may be granted to the Non-Independent Directors of the Company as approved by the Committee.

9. Remuneration to KMP, Senior Management Personnel and Other Employees:

- The KMP, Senior Management Personnel and other employees of the Company shall be paid monthly remuneration as per the Company's HR policies and / or as may approved by the Committee. The break-up of the pay scale and quantum of perquisites including, employer's contribution to P.F., gratuity etc. shall be as per the Company's HR policies.
- This Policy shall apply to all future / continuing employment / engagement(s) with the Company. In other respects, this Policy shall be of guidance for the Board. Any departure from the policy shall be recorded and reasoned in the Committee and Board meeting minutes.

5. **COMMITTEE MEMBERS' INTERESTS:**

A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

6. **REVIEW AND AMENDMENT:**

The Committee or the Board may review the Policy as and when it deems necessary. The Committee may issue the guidelines, procedures, formats, reporting mechanism and manual in supplement and better implementation to this Policy, if it thinks necessary. This Policy may be amended or substituted by the Committee or by the Board as and when required.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

This Policy has been formally adopted and approved by Board of Directors of the Company in their meeting held on January 15, 2015, in accordance with Section 178 of the Act and rules made thereunder.

Place: Mumbai

**ANNEXURE III**  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2015**

*[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

To

The Members,

**HDFC ASSET MANAGEMENT COMPANY LIMITED**

**CIN: U65991MH1999PLC123027**

We have conducted the Secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **HDFC ASSET MANAGEMENT COMPANY LIMITED** having (CIN: **U65991MH1999PLC123027**) (hereinafter called “the Company”). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company’s books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **31st March, 2015** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2015 according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder #;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings #.
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 #;
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 #;
  - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 #;
  - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 #.
  - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 #; and
  - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 #.

# The Regulations or Guidelines, as the case may be, were not applicable for the period under review.



We have relied on the representations made by the Company and its Officers for systems and mechanisms developed by the Company in order to ensure compliances under other applicable Acts, Laws and Regulations to the Company. The list of Acts, Laws and Regulations specifically applicable to the Company are given below:

- i. The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.
- ii. The Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993.
- iii. The Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012. *(Company has received the approval for launch of Scheme under AIF; however, no Scheme has been launched by the Company).*
- iv. The Prevention of Money Laundering Act, 2002.

We have also examined compliance with the applicable clauses of the following:

- i. Secretarial Standards issued by The Institute of Company Secretaries of India. #;
- ii. The Listing Agreements entered into by the Company with Stock Exchange(s), if applicable #;

*# Not applicable for the period under review.*

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above, to the extent applicable.

**We further report that -**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

The Company has provided notice(s) to all the directors for the Board meeting(s) exceeding seven days in advance. However, agenda and the detailed notes on agenda were circulated in less than seven days in advance. The Company has a reasonable system for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

During the period under review, decisions were carried through unanimously and no dissenting views were observed, while reviewing the minutes.

**We further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that** during the audit period the company has obtained Members approval in the Extra-ordinary general meeting held on 16<sup>th</sup> April, 2014 to increase the borrowing limits pursuant to Section 180(1)(c) which shall not exceed the sum of ₹ 800 crore and authority to Board of Directors to borrow such sum of moneys by way of debentures, inter-corporate deposits, short term or long term loans, line of credit facilities or otherwise.

**For Bhandari & Associates  
Company Secretaries**

**S. N. Bhandari**

FCS No: 761; C P No. : 366

Mumbai: 21-April-2015

**ANNEXURE IV****ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES**

As prescribed under Section 135 of the Companies Act, 2013 and Companies  
(Corporate Social Responsibility Policy) Rules, 2014

- A brief outline of the Company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.**

The Company carries its Corporate Social Responsibility (CSR) activities through its implementing agencies viz. Indian Cancer Society, Society for Rehabilitation of Crippled Children (SRCC), Olympic Gold Quest - Foundation for Promotion of Games and Sports, Bombay Scottish Orphanage Society and Ray of Light Foundation. The details of the Company's CSR Initiatives project/ programs and activities are provided in this annexure and more particularly specified in the CSR Policy / Annexure A which is uploaded and can be viewed on [www.hdfcfund.com](http://www.hdfcfund.com)

- The Composition of the CSR Committee**

The Board at its meeting held on April 16, 2014, constituted the CSR Committee comprising Mr. Deepak S. Parekh (Chairman), Mr. Vijay Merchant (Independent Director) and Mr. Milind Barve (Managing Director).

- Average net profit of the company for last three financial years: ₹ 421,64,08,304/-
- Prescribed CSR Expenditure (2% of the amount as in item 3 above): ₹ 8,43,28,166/-
- Details of CSR spent during the financial year:**
  - Total amount to be spent for the financial year: ₹ 8,43,28,166/-
  - Amount unspent: ₹ 1,03,92,166/- (Refer to No. 6)
  - Manner in which the amount spent during the financial year is detailed below:

Sr. No.	CSR project or activity identified	Sector in which the project is covered	Projects or Programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount (₹) outlay (budget) project or program-wise	Amount (₹) spent on the projects or programs sub-heads:		Cumulative expenditure upto the reporting period (₹)	Amount (₹) spent	
					Direct expenditure on projects or programs	Overheads		Direct	Implementing agency
1.	Indian Cancer Cure Fund Project (ICCFP)	Promotion of Health Care	City: Mumbai State: Maharashtra	5,00,00,000 per annum for 3 years effective FY 2014-2015.  In addition, 34,36,000 as dividend on the investment made in HDFC Cancer Cure Fund 2014 (Scheme) for 3 years effective FY 2014-2015	5,34,36,000	—	5,34,36,000	—	5,34,36,000
2.	SRCC Children's Hospital	Promotion of Health Care	City: Mumbai State: Maharashtra	2,50,00,000	1,10,00,000	—	6,44,36,000	—	1,10,00,000
3.	Olympic Gold Quest Junior Scholarship Program	Training for Olympic sports	Athletes from any region in India	50,00,000	50,00,000	—	6,94,36,000	—	50,00,000

(c) Manner in which the amount spent during the financial year is detailed below: (Continued)

Sr. No.	CSR project or activity identified	Sector in which the project is covered	Projects or Programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount (₹) outlay (budget) project or program-wise	Amount (₹) spent on the projects or programs sub-heads:		Cumulative expenditure upto the reporting period (₹)	Amount (₹) spent	
					Direct expenditure on projects or programs	Overheads		Direct	Implementing agency
4.	Bombay Scottish Orphanage Society	Promoting education	City: Mumbai State: Maharashtra	25,00,000	25,00,000	—	7,19,36,000	—	25,00,000
5.	Ray of Light Foundation	Promotion of Health Care	City: Chennai State: Tamil Nadu	20,00,000	20,00,000	—	7,39,36,000	—	20,00,000
	<b>TOTAL</b>			<b>8,79,36,000</b>	<b>7,39,36,000</b>				<b>7,39,36,000</b>

\***Details of implementing agency:** Our Implementing Agencies include Indian Cancer Society (ICS), Society for Rehabilitation of Crippled Children (SRCC), Olympic Gold Quest (OGQ) - Foundation for Promotion of Games and Sports, Bombay Scottish Orphanage Society and Ray of Light Foundation. Details of the Implementing agencies can be viewed on [www.hdfcfund.com](http://www.hdfcfund.com)

6. **In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report:**

One of the Company's CSR partner has not drawdown the full amount out of the amount outlay / budgeted as approved by the CSR Committee of the Company.

7. **A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company:**

The CSR Committee confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

For **HDFC Asset Management Company Limited**

**Milind Barve**  
Managing Director

**Deepak Parekh**  
Chairman of Corporate Social  
Responsibility Committee

## 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, 2015, the Statement of Profit and Loss, the 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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls and ensuring their operating effectiveness and the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a

true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and

the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at 31st March, 2015, its profit and its 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, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable. The Order is yet to be notified in the Gazette of India.

(2) As required by Section 143(3) of the Act, we report that:

a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary

## Independent Auditors' Report (Continued)

for the purposes of our audit;

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

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

d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014;

e. On the basis of written representations received from the directors as on March 31, 2015,

and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015 from being appointed as a director in terms of Section 164(2) of the Act;

f. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

(i) The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 20.8(a) (on Contingent Liabilities) to the financial statements;

(ii) The Company did not have any

long-term contracts including derivative contracts, where the question of any material foreseeable losses arises;

(iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For HARIBHAKTI & CO. LLP

Chartered Accountants

ICAI Firm Registration No. 103523W

Chetan Desai

Partner

MUMBAI

April 21, 2015

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 Auditor's Report of even date to the members of HDFC Asset Management Company Limited on the financial statements for the year ended March 31, 2015]

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

(b) During the year, the fixed assets of the Company have been physically verified by the management and as informed, no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets.

(ii) The clause (ii) of paragraph 3 of the Companies (Auditors' Report) Order, 2015 is not applicable to the Company.

(iii) 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 189 of the Act. Accordingly, the provisions stated in paragraphs 3(iii)(a) and 3(iii)(b) of the Order are not applicable.

(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 for the purchase of fixed

assets and for the sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the Company.

(v) 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 provisions of Sections 73 to 76 of the Act and the rules framed there under.

(vi) The Central Government of India has not prescribed the maintenance of cost records for any of the products of the Company under sub-section (1) of Section 148 of the Act and the rules framed thereunder.

(vii) (a) The Company is regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, income tax, wealth tax, service tax, cess and any 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, cess and any other material statutory dues applicable to it, were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, the dues outstanding with respect to 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	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)

(d) According to the information and explanations given to us, there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

(viii) The Company does not have accumulated losses at the end of the financial year nor has incurred cash losses in the current and immediately preceding financial year.

(ix) 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.

(x) 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.

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

(xii) 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 any such instance by the management.

For HARIBHAKTI & CO. LLP  
Chartered Accountants  
ICAI Firm Registration No. 103523W

Chetan Desai  
Partner  
MUMBAI  
April 21, 2015  
Membership No. 17000

## Balance Sheet as at March 31, 2015

Particulars	Note No.	₹	₹	March 31, 2014 ₹
<b>EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' FUNDS</b>				
Share Capital	2	25,24,08,000		25,24,08,000
Reserves and Surplus	3	1094,64,97,158		876,01,82,942
<b>NON-CURRENT LIABILITIES</b>				
Long-Term Provisions	4	15,00,00,000		15,00,00,000
<b>CURRENT LIABILITIES</b>				
Trade Payables	5	95,09,29,960		147,72,19,013
Other Current Liabilities	6	81,76,71,962		57,35,94,850
			176,86,01,922	205,08,13,863
<b>TOTAL</b>			1311,75,07,080	1121,34,04,805
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Fixed Assets	7			
– Tangible Assets		24,37,98,344		26,26,06,736
– Intangible Assets		9,41,45,239		1,53,79,382
		33,79,43,583		27,79,86,118
Non-Current Investments	8	161,68,01,930		130,38,84,593
Deferred Tax Assets (net) (see note 20.6)	9	13,28,01,923		12,81,03,053
Long-Term Loans and Advances	10	175,36,79,674		120,10,91,441
			384,12,27,110	291,10,65,205
<b>CURRENT ASSETS</b>				
Current Investments	11	488,83,83,990		606,18,26,358
Trade Receivables	12	16,57,46,505		15,47,99,211
Cash and Bank Balances	13	2,56,73,858		1,03,65,313
Short-Term Loans and Advances	14	248,67,60,681		106,22,99,779
Other Current Assets	15	170,97,14,936		101,30,48,939
			927,62,79,970	830,23,39,600
<b>TOTAL</b>			1311,75,07,080	1121,34,04,805

See accompanying notes to the financial statements

As per our report attached

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

**Chetan Desai**  
Partner  
Membership No. 17000

MUMBAI  
April 21, 2015

For and on behalf of the Board

**Deepak S. Parekh**  
Chairman  
(DIN: 00009078)

**Piyush Surana**  
Chief Financial Officer  
(ICAI Membership No.: 72979)

**Milind Barve**  
Managing Director  
(DIN: 00087839)

**Sylvia Furtado**  
Company Secretary  
(Membership No.: A17976)

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**Keki Mistry**  
(DIN: 00008886)  
**James Aird**  
(DIN: 01057384)  
**Deepak B. Phatak**  
(DIN: 00046205)  
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(DIN: 00004006)  
**Hoshang S. Billimoria**  
(DIN: 00005003)  
**N. Keith Skeoch**  
(DIN: 00165850)

## Statement of Profit and Loss for the year ended March 31, 2015

Particulars	Note No.	₹	Previous Year ₹
<b>REVENUE</b>			
Revenue from Operations	16	1022,43,84,347	858,54,67,657
Other Income	17	41,83,78,597	44,56,80,471
<b>TOTAL REVENUE</b>		<b>1064,27,62,944</b>	<b>903,11,48,128</b>
<b>EXPENSES</b>			
Employee Benefits Expense	18	127,50,70,029	111,55,26,424
Depreciation and Amortization Expense	7	10,13,90,992	8,44,54,754
Other Expenses	19	304,03,46,601	260,66,57,507
<b>TOTAL EXPENSES</b>		<b>441,68,07,622</b>	<b>380,66,38,685</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>622,59,55,322</b>	<b>522,45,09,443</b>
Tax Expense:			
Current Tax		207,54,66,003	164,57,53,032
Deferred Tax		(46,98,870)	(71,440)
Previous Year's Tax		1,88,082	11,26,046
<b>PROFIT/(LOSS) AFTER TAX</b>		<b>415,50,00,107</b>	<b>357,77,01,805</b>
<b>Earnings Per Equity Share (Face Value ₹ 10) (see note 20.5)</b>			
– Basic		164.61	141.69
– Diluted		162.49	140.82
<b>See accompanying notes to the financial statements</b>			

As per our report attached

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

**Chetan Desai**  
Partner  
Membership No. 17000

MUMBAI  
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(DIN: 00165850)

## Cash Flow Statement for the year ended March 31, 2015

	₹	Previous Year ₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation and extraordinary items	622,59,55,322	522,45,09,443
<b>Add / (Less) : Adjustment for</b>		
Depreciation and Amortization	10,13,90,992	8,44,54,754
Provision for / (Reversal of) Diminution in the Value of Non Current Investments	—	(38,03,198)
(Profit) / Loss on Sale of Investments (net)	(15,49,35,720)	(27,48,93,644)
(Profit) / Loss on Sale of Fixed Assets (net)	(20,05,249)	(30,910)
Investment Income	(17,68,52,960)	(11,47,61,671)
Provision for Wealth Tax	6,17,010	5,97,250
<b>Operating Profit before working capital changes</b>	<b>599,41,69,395</b>	<b>491,60,72,024</b>
(Increase) / Decrease in Loans and Advances	(193,52,20,093)	(112,44,23,008)
(Increase) / Decrease in Other Current Assets	(69,71,10,408)	(99,42,54,880)
(Increase) / Decrease in Trade Receivables	(1,09,47,294)	3,74,36,338
Increase / (Decrease) in Current Liabilities	(28,22,11,941)	92,63,61,737
<b>Cash generated from / (used in) operations</b>	<b>306,86,79,659</b>	<b>376,11,92,211</b>
Income Tax Paid	(212,04,42,017)	(166,64,89,207)
<b>Net cash from / (used in) operating activities</b>	<b>94,82,37,642</b>	<b>209,47,03,004</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(15,95,96,555)	(17,32,97,131)
Proceeds from Sale of Fixed Assets	25,95,227	18,37,078
Purchase of Investments	(2133,14,11,838)	(1638,75,24,683)
Proceeds from Sale of Investments	2241,37,95,026	1598,26,28,801
Dividend Received	7,46,78,768	4,90,91,013
Interest Received	3,56,39,101	1,92,74,729
<b>Net cash from / (used in) investing activities</b>	<b>103,56,99,729</b>	<b>(50,79,90,193)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Share Capital	—	29,24,42,500
Buy Back of Equity Shares	—	(35,13,44,500)
Tax on Shares Bought Back	—	(4,20,06,428)
Utilisation of Reserve for social / philanthropic causes & investor centric initiatives	—	(76,69,451)
Interim Equity Dividend Paid	(164,06,52,000)	(126,20,40,000)
Tax Paid on Interim Equity Dividend	(32,80,33,891)	(21,44,83,700)
<b>Net cash from / (used in) financing activities</b>	<b>(196,86,85,891)</b>	<b>(158,51,01,579)</b>
<b>Net Increase / (Decrease) in cash and cash equivalents</b>	<b>1,52,51,480</b>	<b>16,11,232</b>
<b>Cash and cash equivalents at the beginning of the Year</b>	<b>93,82,933</b>	<b>77,71,701</b>
<b>Cash and cash equivalents at the end of the Year</b>	<b>2,46,34,413</b>	<b>93,82,933</b>
	<b>1,52,51,480</b>	<b>16,11,232</b>

As per our report attached

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

**Chetan Desai**  
Partner  
Membership No. 17000

MUMBAI  
April 21, 2015

For and on behalf of the Board

**Deepak S. Parekh**  
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(DIN: 00009078)

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**N. Keith Skeoch**  
(DIN: 00165850)

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (NOTES) FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2015**

### **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, 2013 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**

Depreciation on Fixed Assets is provided on straight-line basis at the rates and in the manner prescribed in Schedule II of the Companies Act, 2013 except for certain assets.

**A) Tangible Assets:**

Following is the summary of useful lives of the assets as per management's estimate and as required by the Companies Act, 2013 except assets individually costing less than rupees five thousand which are fully depreciated in the year of purchase/acquisition.

CLASS OF FIXED ASSET	Useful Life (in years)	
	As per the Companies Act, 2013	As per management's estimate
Building*	60	50
Computer Equipment:		
– Server & Network*	6	4
– Others	3	3
Furniture & Fixtures*	10	7
Electrical Installations*	10	7
Office Equipment	5	5
Vehicles*	8	4
Improvement of Rented Premises	Not specified	Over the primary period of the lease term or 5 years, whichever is less

\* Based on technical advice, management believes that the useful lives of these assets reflect the periods over which they are expected to be used.

**B) Intangible Assets:**

- (i) Goodwill generated on the following transactions has been depreciated equally over a period of 10 years:
  - (a) Amalgamation of erstwhile HDFC AMC Services Company Private Limited and HDFC AMC Mauritius Limited, with the Company.
  - (b) Acquisition of rights to operate, administer and manage the schemes of Morgan Stanley Mutual Fund.
- (ii) Computer Software is being depreciated over a period of 3 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, 2015

### Note 2

#### SHARE CAPITAL

	As at March 31, 2015 ₹	As at March 31, 2014 ₹
<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>	80,00,00,000
<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>	25,24,08,000

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>	2,52,40,800	25,24,08,000
Add : Shares issued during the Year	—	—	1,41,500	14,15,000
Less : Shares bought back during the Year	—	—	1,41,500	14,15,000
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

8,87,000 (Previous Year 9,00,000) 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, 2015 ₹	As at March 31, 2014 ₹
Capital Redemption Reserve		
Opening Balance	51,62,32,000	51,48,17,000
Add : Transfer from Surplus in Statement of Profit and Loss	—	14,15,000
	<u>51,62,32,000</u>	<u>51,62,32,000</u>
Securities Premium Account		
Opening Balance	—	—
Add : Additions during the Year	—	29,10,27,500
Less : Utilised during the Year	—	29,10,27,500
	<u>—</u>	<u>—</u>
General Reserve		
Opening Balance	61,76,14,541	31,87,46,360
Add : Transfer from Surplus in Statement of Profit and Loss	41,55,00,011	35,77,70,181
Less : Utilised during the Year	—	5,89,02,000
	<u>103,31,14,552</u>	<u>61,76,14,541</u>
Reserve for social / philanthropic causes & investor centric initiatives		
Opening Balance	2,59,77,074	3,36,46,525
Less : Utilised during the Year	—	76,69,451
	<u>2,59,77,074</u>	<u>2,59,77,074</u>
Surplus in Statement of Profit and Loss		
Opening Balance	760,03,59,327	590,03,72,831
Add : Profit / (Loss) for the Year	415,50,00,107	357,77,01,805
Less : Appropriations :		
General Reserve	41,55,00,011	35,77,70,181
Capital Redemption Reserve	—	14,15,000
Tax on Buyback of Equity Shares	—	4,20,06,428
Interim Equity Dividend Paid	164,06,52,000	126,20,40,000
Tax Paid on Interim Equity Dividend	32,80,33,891	21,44,83,700
	<u>937,11,73,532</u>	<u>760,03,59,327</u>
<b>Total</b>	<u><b>1094,64,97,158</b></u>	<u><b>876,01,82,942</b></u>

Pursuant to the approval of the shareholders at the Extraordinary General Meeting and in accordance with the provisions of the Companies Act, 2013 (Act) and rules made thereunder, the Company bought back NIL equity shares during the year (Previous Year 1,41,500) at an aggregate value of ₹ NIL (Previous Year ₹ 35,13,44,500). The Company had utilised the Securities Premium Account & Free Reserves for this purpose. A sum of ₹ NIL (Previous Year ₹ 14,15,000) had been transferred to Capital Redemption Reserve in terms of Section 69(1) of the Act (Section 77AA of the Companies Act, 1956 for the Previous Year).

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

	As at March 31, 2015 ₹	As at March 31, 2014 ₹
For Contingencies (see note 20.7)	15,00,00,000	15,00,00,000
<b>Total</b>	<b>15,00,00,000</b>	<b>15,00,00,000</b>

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

	As at March 31, 2015 ₹	As at March 31, 2014 ₹
Sundry Creditors (see note 20.9 & 20.13)	95,09,29,960	147,72,19,013
<b>Total</b>	<b>95,09,29,960</b>	<b>147,72,19,013</b>

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

	As at March 31, 2015 ₹	As at March 31, 2014 ₹
Statutory Dues	2,73,96,480	2,02,24,651
Employee Benefits	53,74,14,665	42,64,18,846
Other Dues	25,00,61,830	12,53,69,969
Income Received in Advance	27,98,987	15,81,384
<b>Total</b>	<b>81,76,71,962</b>	<b>57,35,94,850</b>

**Note 7**  
**FIXED ASSETS**

	GROSS BLOCK			DEPRECIATION / AMORTIZATION			NET BLOCK		₹
	As at March 31, 2014	Additions	Deductions	As at March 31, 2015	As at March 31, 2014	For the Year	Deductions	As at March 31, 2015	
<b>TANGIBLE ASSETS</b>									
Buildings	4,99,57,691	—	—	4,99,57,691	35,64,396	9,99,154	—	4,53,94,141	4,63,93,295
Improvement of Rented Premises	36,36,46,285	1,91,53,551	65,92,800	37,62,07,036	24,06,27,941	4,23,38,330	65,92,800	9,98,33,565	12,30,18,344
Computer Equipment	12,91,40,239	2,22,38,733	88,31,086	14,25,47,886	10,35,28,022	1,80,05,789	88,31,086	2,98,45,161	2,56,12,217
Furniture & Fixtures	4,72,63,541	29,15,718	7,47,440	4,94,31,819	2,35,10,914	53,62,401	7,47,440	2,13,05,944	2,37,52,627
Electrical Installations	57,43,328	9,75,447	—	67,18,775	3,98,140	10,26,633	—	52,94,002	53,45,188
Vehicles	2,86,47,947	89,79,344	51,71,238	3,24,56,053	1,70,92,262	64,14,596	46,04,659	1,35,53,854	1,15,55,685
Office Equipment	16,89,55,810	1,12,29,391	70,98,956	17,30,86,245	14,20,26,430	95,63,695	70,75,557	2,85,71,677	2,69,29,380
<b>Total</b>	79,33,54,841	6,54,92,184	2,84,41,520	83,04,05,505	53,07,48,105	8,37,10,598	2,78,51,542	24,37,98,344	26,26,06,736
<b>Previous Year</b>	70,79,16,239	16,61,97,056	8,07,58,454	79,33,54,841	53,78,20,076	7,18,80,315	7,89,52,286	26,26,06,736	
<b>INTANGIBLE ASSETS</b>									
Goodwill (see note 20.12)	66,83,08,050	8,33,45,216	—	75,16,53,266	66,83,08,050	63,20,344	—	7,70,24,872	—
Computer Software	10,10,23,352	1,31,01,035	—	11,41,24,387	8,56,43,970	1,13,60,050	—	1,71,20,367	1,53,79,382
<b>Total</b>	76,93,31,402	9,64,46,251	—	86,57,77,653	75,39,52,020	1,76,80,394	—	9,41,45,239	1,53,79,382
<b>Previous Year</b>	75,85,28,498	1,08,02,904	—	76,93,31,402	74,13,77,581	1,25,74,439	—	1,53,79,382	

**Note 8****NON-CURRENT INVESTMENTS (Non Trade, At Cost)**

	As at March 31, 2015 ₹	As at March 31, 2014 ₹
<b>Investment in Venture Capital Fund</b>		
1,80,716 Units (Previous Year 1,13,709) of ₹ 1,000 each in Faering Capital India Evolving Fund (Class A)	<b>18,07,16,332</b>	11,37,09,193
<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)	<b>6,18,09,000</b>	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)	<b>16,31,31,000</b>	16,31,31,000
200 (Previous Year 200) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 10,00,000 each of Rural Electrification Corporation Ltd (REC)	<b>19,99,83,200</b>	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	<b>36,52,52,200</b>	36,52,52,200
32,000 (Previous Year 32,000) 16.06% Cumulative Redeemable Preference Shares of ₹ 7,500 each of Infrastructure Leasing & Financial Services Limited	<b>40,00,00,000</b>	40,00,00,000
<b>Investment in Schemes of Mutual Fund</b>		
2,40,507 Units (Previous Year NIL) of ₹ 10 each in HDFC Cash Management Fund - Call Plan - Direct Plan - Growth Option	<b>50,00,000</b>	—
4,57,277 Units (Previous Year NIL) of ₹ 10 each in HDFC Inflation Indexed Bond Fund - Direct Plan - Growth Option	<b>50,00,000</b>	—
1,77,832 Units (Previous Year NIL) of ₹ 10 each in HDFC Cash Management Fund - Treasury Advantage Plan - Direct Plan - Growth Option	<b>50,00,000</b>	—
2,22,680 Units (Previous Year NIL) of ₹ 10 each in HDFC Floating Rate Income Fund - Short Term Plan - Direct Plan - Growth Option	<b>50,00,000</b>	—
4,89,860 Units (Previous Year NIL) of ₹ 10 each in HDFC Arbitrage Fund - Direct Plan - Growth Option	<b>50,00,000</b>	—
4,03,421 Units (Previous Year NIL) of ₹ 10 each in HDFC Dynamic PE Ratio Fund of Funds - Direct Plan - Growth Option	<b>50,00,000</b>	—
5,15,390 Units (Previous Year NIL) of ₹ 10 each in HDFC Gold Fund - Direct Plan - Growth Option	<b>50,00,000</b>	—



**Note 8 (Continued)****NON-CURRENT INVESTMENTS (Non Trade, At Cost)**

	As at March 31, 2015 ₹	As at March 31, 2014 ₹
1,71,973 Units (Previous Year NIL) of ₹ 10 each in HDFC Income Fund - Direct Plan - Growth Option	50,00,000	—
2,00,040 Units (Previous Year NIL) of ₹ 10 each in HDFC Gilt Fund - Long Term Plan - Direct Plan - Growth Option	50,00,000	—
2,35,156 Units (Previous Year NIL) of ₹ 10 each in HDFC Gilt Fund - Short Term Plan - Direct Plan - Growth Option	50,00,000	—
1,98,753 Units (Previous Year NIL) of ₹ 10 each in HDFC Short Term Plan - Direct Plan - Growth Option	50,00,000	—
1,14,714 Units (Previous Year NIL) of ₹ 10 each in HDFC High Interest Fund - Dynamic Plan - Direct Plan - Growth Option	50,00,000	—
1,93,940 Units (Previous Year NIL) of ₹ 10 each in HDFC High Interest Fund - Short Term Plan - Direct Plan - Growth Option	50,00,000	—
2,18,498 Units (Previous Year NIL) of ₹ 10 each in HDFC Floating Rate Income Fund - Long Term Plan - Direct Plan - Growth Option	50,00,000	—
3,53,699 Units (Previous Year NIL) of ₹ 10 each in HDFC Medium Term Opportunities Fund - Direct Plan - Growth Option	50,00,000	—
3,51,674 Units (Previous Year NIL) of ₹ 10 each in HDFC Short Term Opportunities Fund - Direct Plan - Growth Option	50,00,000	—
4,82,197 Units (Previous Year NIL) of ₹ 10 each in HDFC Corporate Debt Opportunities Fund - Direct Plan - Growth Option	50,00,000	—
4,87,087 Units (Previous Year NIL) of ₹ 10 each in HDFC Banking and PSU Debt Fund - Direct Plan - Growth Option	50,00,000	—
1,55,738 Units (Previous Year NIL) of ₹ 10 each in HDFC Monthly Income Plan - Long Term Plan - Direct Plan - Growth Option	50,00,000	—
2,14,213 Units (Previous Year NIL) of ₹ 10 each in HDFC Monthly Income Plan - Short Term Plan - Direct Plan - Growth Option	50,00,000	—
1,97,625 Units (Previous Year NIL) of ₹ 10 each in HDFC Multiple Yield Fund - Direct Plan — Growth Option	50,00,000	—
2,13,400 Units (Previous Year NIL) of ₹ 10 each in HDFC Multiple Yield Fund - Plan 2005 - Direct Plan - Growth Option	50,00,000	—
1,92,921 Units (Previous Year NIL) of ₹ 10 each in HDFC Liquid Fund - Direct Plan - Growth Option	50,00,000	—
1,82,309 Units (Previous Year NIL) of ₹ 10 each in HDFC Cash Management Fund - Savings Plan - Direct Plan - Growth Option	50,00,000	—
4,57,076 Units (Previous Year NIL) of ₹ 10 each in HDFC Quarterly Interval Fund - Plan B - Direct Plan - Growth Option	50,00,000	—

**Note 8 (Continued)****NON-CURRENT INVESTMENTS (Non Trade, At Cost)**

	As at March 31, 2015 ₹	As at March 31, 2014 ₹
2,000 Units (Previous Year NIL) of ₹ 100 each in HDFC Gold Exchange Traded Fund - Growth Option	54,10,198	—
2,76,976 Units (Previous Year NIL) of ₹ 10 each in HDFC Quarterly Interval Fund - Plan C - Direct Plan - Growth Option	50,00,000	—
4,16,334 Units (Previous Year NIL) of ₹ 10 each in HDFC Annual Interval Fund Series I - Plan A - Direct Plan - Growth Option	50,00,000	—
2,56,797 Units (Previous Year NIL) of ₹ 10 each in HDFC Quarterly Interval Fund - Plan A - Direct Plan - Growth Option	50,00,000	—
4,18,022 Units (Previous Year NIL) of ₹ 10 each in HDFC Annual Interval Fund - Series 1 - Plan B - Direct Plan - Growth Option	50,00,000	—
37,760 Units (Previous Year NIL) of ₹ 10 each in HDFC Growth Fund - Direct Plan - Growth Option	50,00,000	—
46,206 Units (Previous Year NIL) of ₹ 10 each in HDFC Balanced Fund - Direct Plan - Growth Option	50,00,000	—
20,964 Units (Previous Year NIL) of ₹ 10 each in HDFC Long Term Advantage Fund - Direct Plan - Growth Option	50,00,000	—
59,544 Units (Previous Year NIL) of ₹ 10 each in HDFC Children's Gift Fund - Investment Plan - Direct Plan	50,00,000	—
1,39,087 Units (Previous Year NIL) of ₹ 10 each in HDFC Children's Gift Fund - Savings Plan - Direct Plan	50,00,000	—
87,149 Units (Previous Year NIL) of ₹ 10 each in HDFC Core and Satellite Fund - Direct Plan - Growth Option	50,00,000	—
66,699 Units (Previous Year NIL) of ₹ 10 each in HDFC Index Fund - Nifty Plan - Direct Plan - Growth Option	50,00,000	—
13,645 Units (Previous Year NIL) of ₹ 10 each in HDFC Index Fund - Sensex Plus Plan - Direct Plan - Growth Option	50,00,000	—
20,835 Units (Previous Year NIL) of ₹ 10 each in HDFC Index Fund - Sensex Plan - Direct Plan - Growth Option	50,00,000	—
10,615 Units (Previous Year NIL) of ₹ 10 each in HDFC Equity Fund - Direct Plan - Growth Option	50,00,000	—
14,485 Units (Previous Year NIL) of ₹ 10 each in HDFC Top 200 Fund - Direct Plan - Growth Option	50,00,000	—
24,980 Units (Previous Year NIL) of ₹ 10 each in HDFC Capital Builder Fund - Direct Plan - Growth Option	50,00,000	—
12,496 Units (Previous Year NIL) of ₹ 10 each in HDFC Tax Saver - Direct Plan - Growth Option	50,00,000	—
1,15,808 Units (Previous Year NIL) of ₹ 10 each in HDFC Premier Multi-Cap Fund - Direct Plan - Growth Option	50,00,000	—

**Note 8 (Continued)****NON-CURRENT INVESTMENTS (Non Trade, At Cost)**

	As at March 31, 2015 ₹	As at March 31, 2014 ₹
1,35,586 Units (Previous Year NIL) of ₹ 10 each in HDFC Mid-Cap Opportunities Fund - Direct Plan - Growth Option	50,00,000	—
13,312 Units (Previous Year NIL) of ₹ 10 each in HDFC Prudence Fund - Direct Plan - Growth Option	50,00,000	—
3,01,696 Units (Previous Year NIL) of ₹ 10 each in HDFC Infrastructure Fund - Direct Plan - Growth Option	50,00,000	—
55,339 Units (Previous Year NIL) of ₹ 10 each in HDFC Large Cap Fund - Direct Plan - Growth Option	50,00,000	—
1,96,017 Units (Previous Year NIL) of ₹ 10 each in HDFC Small & Mid-Cap Fund - Direct Plan - Growth Option	50,00,000	—
<b>Other Investments</b>		
5,00,000 (Previous Year NIL) fully paid up Equity Shares of ₹ 1 each in MF Utilities India Private Limited	5,00,000	—
<b>Total Non-Current Investments</b>	<b>161,68,01,930</b>	<b>130,38,84,593</b>
<b>Aggregate of Quoted Investments</b>		
Book Value	45,53,33,398	42,49,23,200
Market Value	47,26,46,599	43,27,06,290
<b>Aggregate of Unquoted Investments</b>		
Book Value	116,14,68,532	87,89,61,393

**Note 9****DEFERRED TAX**

	As at March 31, 2015 ₹	As at March 31, 2014 ₹
Deferred Tax Asset	13,38,31,039	12,93,36,542
Deferred Tax Liability	(10,29,116)	(12,33,489)
<b>Total</b>	<b>13,28,01,923</b>	<b>12,81,03,053</b>

**Note 10****LONG-TERM LOANS AND ADVANCES**

	As at March 31, 2015 ₹	As at March 31, 2014 ₹
Secured, Considered good		
– Loan to Corporate	—	51,49,460
Unsecured, Considered good		
– Capital Advances	11,53,524	34,95,404
– Security Deposits	9,60,19,548	10,78,17,833
– Prepaid Expenses	149,95,80,781	97,18,73,845
– Advance Payment of Taxes (Net of Provision)	15,69,25,821	11,27,54,899
<b>Total</b>	<b>175,36,79,674</b>	<b>120,10,91,441</b>

**Note 11****CURRENT INVESTMENTS (Non Trade)**

	As at March 31, 2015 ₹	As at March 31, 2014 ₹
<b>Investment in Schemes of Mutual Fund (Valued at Cost and Fair Value, whichever is lower)</b>		
14,41,163 Units (Previous Year NIL) of ₹ 10 each in HDFC Cash Management Fund - Treasury Advantage Plan - Direct Plan - Growth Option	4,32,00,000	—
8,87,44,848 Units (Previous Year 8,87,44,848) of ₹ 10 each in HDFC Floating Rate Income Fund - Long Term Plan - Direct Plan - Growth Option	181,33,25,439	181,33,25,439
7,32,31,049 Units (Previous Year 7,32,31,049) of ₹ 10 each in HDFC Short Term Opportunities Fund - Direct Plan - Growth Option	92,77,30,279	92,77,30,279
1,50,00,000 Units (Previous Year 1,50,00,000) of ₹ 10 each in HDFC Corporate Debt Opportunities Fund - Direct Plan - Growth Option	15,00,00,000	15,00,00,000
90,10,325 Units (Previous Year 77,89,281) of ₹ 10 each in HDFC Short Term Plan - Direct Plan - Growth Option	23,99,90,810	19,00,00,000
NIL Units (Previous Year 10,74,01,509) of ₹ 10 each in HDFC Cash Management Fund - Treasury Advantage Plan - Direct Plan (Weekly Dividend Plan)	—	108,07,70,640
1,21,56,034 (Previous Year NIL) of ₹ 10 each in HDFC Liquid Fund - Direct Plan - Growth Option	33,54,76,042	—
2,10,06,609 Units (Previous Year NIL) of ₹ 10 each in HDFC Gilt Fund - Long Term Plan - Direct Plan - Growth Option	60,00,00,000	—
1,00,00,000 Units (Previous Year 1,00,00,000) of ₹ 10 each in HDFC FMP 371D December 2013 (2) - Direct Plan - Growth Option	10,00,00,000	10,00,00,000
2,00,00,000 Units (Previous Year 2,00,00,000) of ₹ 10 each in HDFC FMP 371D January 2014 (1) - Direct Plan - Growth Option	20,00,00,000	20,00,00,000

**Note 11 (Continued)****CURRENT INVESTMENTS (Non Trade)**

	As at March 31, 2015 ₹	As at March 31, 2014 ₹
3,00,00,000 Units (Previous Year 3,00,00,000) of ₹ 10 each in HDFC FMP 369D January 2014 (1) - Direct Plan - Growth Option	<b>30,00,00,000</b>	30,00,00,000
1,28,66,142 Units (Previous Year 4,50,00,000) of ₹ 10 each in HDFC FMP 370D January 2014 (1) - Direct Plan - Growth Option	<b>12,86,61,420</b>	45,00,00,000
Nil Units (Previous Year 2,00,00,000) of ₹ 10 each in HDFC FMP 371D February 2014 (1) - Direct Plan - Growth Option	—	20,00,00,000
Nil Units (Previous Year 3,00,00,000) of ₹ 10 each in HDFC FMP 369D February 2014 (2) - Direct Plan - Growth Option	—	30,00,00,000
Nil Units (Previous Year 3,00,00,000) of ₹ 10 each in HDFC FMP 370D March 2014 (1) - Direct Plan - Growth Option	—	30,00,00,000
50,00,000 Units (Previous Year 50,00,000) of ₹ 10 each in HDFC Debt Fund for Cancer Cure 2014 - Direct Plan - Dividend Option	<b>5,00,00,000</b>	5,00,00,000
<b>Total Current Investments</b>	<b>488,83,83,990</b>	<b>606,18,26,358</b>
<b>Aggregate of Investments in Quoted Mutual Funds</b>		
Book Value	<b>137,86,61,420</b>	190,00,00,000
Market Value	<b>137,86,61,420</b>	190,00,00,000
<b>Aggregate of Investments in Unquoted Mutual Funds</b>		
Book Value	<b>350,97,22,570</b>	416,18,26,358

**Note 12****TRADE RECEIVABLES**

(Unsecured, Considered good)

	As at March 31, 2015 ₹	As at March 31, 2014 ₹
Investment Management Fee Receivable (less than six months)	<b>14,12,27,696</b>	12,96,76,603
Portfolio Management Fee Receivable		
— Over six months	<b>42,031</b>	1,69,818
— Others	<b>2,44,76,778</b>	2,49,52,790
	<b>2,45,18,809</b>	2,51,22,608
<b>Total</b>	<b>16,57,46,505</b>	<b>15,47,99,211</b>

**Note 13****CASH AND BANK BALANCES**

	As at March 31, 2015 ₹	As at March 31, 2014 ₹
Cash and Cash Equivalents		
— Balances with Banks	2,46,34,413	93,82,933
Other Bank Balances		
— In Deposit Account (security against bank guarantee)	10,39,445	9,82,380
<b>Total</b>	<b>2,56,73,858</b>	<b>1,03,65,313</b>

**Note 14****SHORT-TERM LOANS AND ADVANCES**

(Unsecured, Considered good)

	As at March 31, 2015 ₹	As at March 31, 2014 ₹
Prepaid Expenses		
— Related Parties	53,42,999	64,81,287
— Others	216,47,33,989	74,23,99,410
	217,00,76,988	74,88,80,697
Service Tax Credit Receivable	42,90,712	1,01,61,582
Other Receivables		
— Related Parties	5,72,91,601	5,90,24,105
— Others	25,51,01,380	24,42,33,395
	31,23,92,981	30,32,57,500
<b>Total</b>	<b>248,67,60,681</b>	<b>106,22,99,779</b>

**Note 15****OTHER CURRENT ASSETS**

	As at March 31, 2015 ₹	As at March 31, 2014 ₹
Interest accrued on Loans	—	3,87,346
Interest accrued on Fixed Deposit	13,383	12,648
Interest accrued on Bonds	1,85,00,597	1,85,00,597
Portfolio Management Fee Accrued But Not Due (see note 20.13)	169,12,00,956	99,41,48,348
<b>Total</b>	<b>170,97,14,936</b>	<b>101,30,48,939</b>



**Note 16****REVENUE FROM OPERATIONS**

	For the Year ended March 31, 2015 ₹	For the Year ended March 31, 2014 ₹
Investment Management Fee	920,87,91,543	715,01,66,104
Portfolio Management Fee	101,55,92,804	143,53,01,553
<b>Total</b>	<b>1022,43,84,347</b>	<b>858,54,67,657</b>

**Note 17****OTHER INCOME**

	For the Year ended March 31, 2015 ₹	For the Year ended March 31, 2014 ₹
Dividend Income:		
— From Current Investments	7,03,58,437	5,24,82,795
— From Non-Current Investments	7,12,42,768	3,30,18,799
Interest Income:		
— From Non-Current Investments	3,50,38,818	2,78,64,723
— From Others	2,28,385	14,11,473
Profit on Sale of Current Investments (net)	15,49,35,720	27,48,93,644
Reversal of Diminution in the Value of Non Current Investments	—	38,03,198
Miscellaneous Income	8,65,74,469	5,22,05,839
<b>Total</b>	<b>41,83,78,597</b>	<b>44,56,80,471</b>

**Note 18****EMPLOYEE BENEFITS EXPENSE**

	For the Year ended March 31, 2015 ₹	For the Year ended March 31, 2014 ₹
Salaries, Allowances and Bonus	116,53,40,980	105,29,54,122
Contribution to Provident and Other Funds	8,96,97,630	4,40,69,579
Staff Welfare and Training Expenses	2,00,31,419	1,85,02,723
<b>Total</b>	<b>127,50,70,029</b>	<b>111,55,26,424</b>

**Note 19****OTHER EXPENSES**

		For the Year ended March 31, 2015	For the Year ended March 31, 2014
	₹	₹	₹
Brokerage / Incentives / Fees / Mutual Fund Expenses		<b>173,44,77,686</b>	150,63,76,310
Business Promotion		<b>25,76,04,554</b>	17,70,63,833
Rent		<b>28,84,64,840</b>	32,48,47,823
Printing and Courier		<b>11,10,75,128</b>	7,75,50,575
Travel and Conveyance		<b>4,94,64,976</b>	4,66,34,668
Communication Expenses		<b>3,17,44,416</b>	3,30,92,430
Subscription and Membership Fees		<b>3,29,74,409</b>	2,53,15,540
Professional and Legal Fees		<b>5,47,99,871</b>	3,64,26,697
Repair and Maintenance		<b>14,10,65,814</b>	13,55,01,929
Electricity Charges		<b>4,40,76,896</b>	4,30,27,171
Outsourced Services Cost		<b>11,98,00,968</b>	11,57,31,855
Insurance Expenses		<b>1,92,13,320</b>	1,84,13,145
Rates and Taxes		<b>20,62,381</b>	22,87,942
Auditors' Remuneration:			
Audit Fee	<b>12,00,000</b>		12,00,000
Audit Fee - PMS Business	<b>34,76,375</b>		27,79,096
Tax Audit Fee	<b>1,00,000</b>		50,000
Taxation Matters	<b>11,17,285</b>		7,26,500
Other Services	<b>16,03,229</b>		8,70,840
		<b>74,96,889</b>	56,26,436
Directors' Sitting Fees and Commission		<b>1,28,40,000</b>	91,60,000
Loss on Foreign Exchange Translation		<b>2,39,237</b>	5,25,885
Loss on Sale of Non Current Investments (net)		—	38,03,198
Donations*		<b>7,41,71,000</b>	—
Miscellaneous Expenses		<b>5,87,74,216</b>	4,52,72,070
<b>Total</b>		<b>304,03,46,601</b>	260,66,57,507

\* includes an amount of ₹ 7,39,36,000 spent towards Corporate Social Responsibility as per Sec. 135(5) of the Companies Act, 2013.

**Note 20****20.1 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>3,32,62,513</b>	3,12,79,054

**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>8,57,61,032</b>	7,37,50,037
Current Service Cost	<b>1,07,62,297</b>	1,03,90,361
Interest Cost	<b>79,84,352</b>	60,84,378
Benefits Paid	<b>(71,72,890)</b>	(33,24,550)
Actuarial (Gain) / Loss	<b>4,11,09,974</b>	(11,39,194)
<b>Liability at the end of the Year</b>	<b>13,84,44,765</b>	8,57,61,032

<b>Fair Value of Plan Assets:</b>	Current Year	Previous Year
Fair Value of Plan Assets at the beginning of the Year	<b>7,61,09,128</b>	5,67,02,305
Expected Return on Plan Assets	<b>66,21,494</b>	49,33,101
Contributions	<b>96,51,904</b>	1,70,47,732
Benefits Paid	<b>(71,72,890)</b>	(33,24,550)
Actuarial Gain / (Loss) on Plan Assets	<b>1,68,333</b>	7,50,540
<b>Fair Value of Plan Assets at the end of the Year</b>	<b>8,53,77,969</b>	7,61,09,128

<b>Actual Return on Plan Assets:</b>	Current Year	Previous Year
Expected Return on Plan Assets	<b>66,21,494</b>	49,33,101
Actuarial Gain / (Loss) on Plan Assets	<b>1,68,333</b>	7,50,540
<b>Actual Return on Plan Assets</b>	<b>67,89,827</b>	56,83,641

<b>Amount Recognized in the Balance Sheet:</b>	Current Year	Previous Year
Liability at the end of the Year	<b>13,84,44,765</b>	8,57,61,032
Fair Value of Plan Assets at the end of the Year	<b>8,53,77,969</b>	7,61,09,128
<b>Amount recognized in the Balance Sheet as Liability</b>	<b>5,30,66,796</b>	96,51,904

**Note 20 (Continued)**

(Amount in ₹)

<b>Expense Recognized in the Statement of Profit and Loss:</b>	<b>Current Year</b>	<b>Previous Year</b>
Current Service Cost	<b>1,07,62,297</b>	1,03,90,361
Interest Cost	<b>79,84,352</b>	60,84,378
Expected Return on Plan Assets	<b>(66,21,494)</b>	(49,33,101)
Net Actuarial (Gain) / Loss to be Recognized	<b>4,09,41,641</b>	(18,89,734)
<b>Expense recognized in the Statement of Profit and Loss under 'Employee Benefits Expenses'</b>	<b>5,30,66,796</b>	96,51,904

  

<b>Reconciliation of the Liability Recognized in the Balance Sheet:</b>	<b>Current Year</b>	<b>Previous Year</b>
Opening Net Liability	<b>96,51,904</b>	1,70,47,732
Expense recognized	<b>5,30,66,796</b>	96,51,904
Contribution by the Company	<b>(96,51,904)</b>	(1,70,47,732)
<b>Amount recognized in the Balance Sheet as Liability</b>	<b>5,30,66,796</b>	96,51,904

  

<b>Net Actuarial (Gain) / Loss Recognized</b>	<b>Current Year</b>	<b>Previous Year</b>
Actuarial (Gain) / Loss on Plan Assets	<b>(1,68,333)</b>	(7,50,540)
Actuarial (Gain) / Loss on Defined Benefit Obligation	<b>4,11,09,974</b>	(11,39,194)
<b>Net Actuarial (Gain) / Loss Recognized</b>	<b>4,09,41,641</b>	(18,89,734)

  

<b>Particulars</b>	<b>2014-15</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>
Liability at the end of the year	<b>13,84,44,765</b>	8,57,61,032	7,37,50,037	6,02,98,371	4,59,23,898
Fair Value of Plan Assets at the end of the year	<b>8,53,77,969</b>	7,61,09,128	5,67,02,305	5,03,84,616	3,48,84,227
Amount recognized in the Balance Sheet as liability	<b>5,30,66,796</b>	96,51,904	1,70,47,732	99,13,755	1,10,39,371
<b>Experience Adjustment:</b>					
(Gains) / Losses on Plan Liabilities	<b>53,82,763</b>	81,53,498	44,47,641	56,96,464	70,14,755
(Gains) / Losses on Plan Assets	<b>(1,68,333)</b>	(7,50,540)	(4,83,657)	(28,83,780)	21,32,680
Estimated Contribution for next year	<b>2,29,69,646</b>	2,06,94,977	1,87,99,305	1,66,85,170	73,96,987

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>7.92% p.a.</b>	9.31% p.a.
Return on Plan Assets	<b>7.92% p.a.</b>	8.70% p.a.
Compensation Escalation Rate	<b>5.00% p.a.</b>	5.00% p.a.
Average Age	<b>34.49 Years</b>	33.67 Years
Mortality Basis	<b>Indian Assured Lives Mortality (2006-08) Ultimate</b>	Indian Assured Lives Mortality (2006-08) Ultimate

**Note 20 (Continued)****20.2 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	920,87,91,543	715,01,66,104	101,55,92,804	143,53,01,553	1022,43,84,347	858,54,67,657
Inter Segment Revenue	—	—	—	—	—	—
<b>Total Segment Revenue</b>	920,87,91,543	715,01,66,104	101,55,92,804	143,53,01,553	1022,43,84,347	858,54,67,657
Identifiable Operating Expenses	313,97,93,015	229,23,52,209	56,84,22,594	82,89,50,038	370,82,15,609	312,13,02,247
<b>Segmental Operating Income</b>	606,89,98,528	485,78,13,895	44,71,70,210	60,63,51,515	651,61,68,738	546,41,65,410
Unallocable Expenses					70,85,92,013	68,53,36,438
<b>Operating Income</b>					580,75,76,725	477,88,28,972
Other Income					41,83,78,597	44,56,80,471
<b>Net Profit Before Tax</b>					622,59,55,322	522,45,09,443
Provision for Income Tax					207,54,66,003	164,57,53,032
Deferred Tax Expense					(46,98,870)	(71,440)
Previous Year’s Tax					1,88,082	11,26,046
<b>Net Profit After Tax</b>					415,50,00,107	357,77,01,805
<b>Segment Assets and Liabilities</b>						
Segment Assets	406,77,77,821	205,94,82,371	171,57,43,096	102,23,89,483	578,35,20,917	308,18,71,854
Unallocated Assets					733,39,86,163	813,15,32,951
<b>Total Assets</b>					1311,75,07,080	1121,34,04,805
Segment Liabilities	120,07,44,378	137,96,73,790	42,27,50,567	55,97,50,549	162,34,94,945	193,94,24,339
Unallocated Liabilities					29,51,06,977	26,13,89,524
<b>Total Liabilities</b>					191,86,01,922	220,08,13,863
Capital Expenditure	—	—	—	—	16,19,38,435	17,69,99,960
Depreciation	—	—	—	—	10,13,90,992	8,44,54,754

**Note 20 (Continued)****20.3 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:

(Figures in brackets pertain to the Previous Year):

(Amount in ₹)

Particulars	Holding Company	Investing Party	Fellow Subsidiaries^
<b>INCOME</b>			
Management Fees	— —	<b>50,83,167</b> (31,66,749)	— —
<b>EXPENDITURE</b>			
Rent	<b>10,02,69,492</b> (11,16,75,694)	— —	— —
Advisory Fee	<b>5,97,74,010</b> (7,84,60,565)	— —	— —
Technology Support Cost	<b>1,43,55,128</b> (1,33,89,413)	— —	— —
Administrative & Other Expenses	<b>2,94,49,494</b> (99,98,414)	— —	— —
Insurance Premium	— —	— —	<b>85,55,073</b> (77,36,003)
Performance Fee	<b>34,85,26,304</b> (49,70,74,174)	— —	— —

Reimbursement of expenses amounting to ₹ 84,666 (Previous Year ₹44,93,666) to the Holding Company is not considered above.

(Amount in ₹)

Particulars	Holding Company	Investing Party	Fellow Subsidiaries^
<b>ASSETS</b>			
Deposit	— —	— —	<b>36,438</b> (4,075)
Account Receivable	— —	16,52,453 (5,35,645)	<b>5,72,91,601</b> (5,90,24,105)
Prepaid Insurance Premium	— —	— —	<b>53,42,999</b> (64,81,287)



**Note 20 (Continued)**

(Amount in ₹)

Particulars	Holding Company	Investing Party	Fellow Subsidiaries <sup>^</sup>
<b>LIABILITIES</b>			
Account Payable	<b>35,26,83,147</b> (50,40,84,174)	— —	— —
<b>OTHER TRANSACTIONS</b>			
Purchase of Fixed Assets	<b>6,00,000</b> (12,00,000)	— —	— —
Interim Equity Dividend Paid	<b>98,12,79,000</b> (75,48,30,000)	<b>65,41,86,000</b> (50,32,20,000)	— —

<sup>^</sup>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>18,55,011</b> (7,94,222)	<b>67,00,062</b> (69,41,781)
Deposit	— —	<b>36,438</b> (4,075)	— —
Account Receivable*	<b>5,72,91,601</b> (5,90,24,105)	— —	— —
Prepaid Insurance Premium	— —	<b>20,458</b> (8,685)	<b>53,22,541</b> (64,72,602)

\*Includes an amount of ₹ **2,58,62,200** (Previous Year ₹ 2,58,62,200) paid to HDFC Trustee Company Limited (see note 20.11).

(Amount in ₹)

Particulars	Current Year	Previous Year
Remuneration to Key Management Personnel	<b>6,53,45,008</b>	5,89,79,637

**20.4 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 ₹ **1,53,57,043** (Previous Year ₹ 2,10,83,314).

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>1,29,45,203</b>	2,13,32,068
Later than one year but not later than five years	<b>2,61,26,189</b>	1,71,23,461

**Note 20 (Continued)****20.5 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 **₹415,50,00,107** (Previous Year ₹357,77,01,805) and **2,52,40,800** (Previous Year 2,52,50,492) 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>164.61</b>	141.69
Effect of potential equity shares for stock options (per share)	<b>(2.12)</b>	(0.87)
Diluted earnings per share	<b>162.49</b>	140.82

- (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>2,52,40,800</b>	2,52,50,492
Effect of potential equity shares for stock options outstanding	<b>3,29,975</b>	1,55,615
Weighted average number of equity shares used in computing diluted earnings per equity share	<b>2,55,70,775</b>	2,54,06,107

**20.6 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 **₹46,98,870** (Previous Year ₹71,440) 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, 2014	For the Year	As on March 31, 2015
<b>Assets</b>			
Depreciation	7,79,07,972	35,59,432	<b>8,14,67,404</b>
Provision for Contingencies	5,09,85,000	9,27,000	<b>5,19,12,000</b>
Others	4,43,570	8,065	<b>4,51,635</b>
<b>Total</b>	<b>12,93,36,542</b>	<b>44,94,497</b>	<b>13,38,31,039</b>
<b>Liabilities</b>			
Others	12,33,489	(2,04,373)	<b>10,29,116</b>
<b>Net Deferred Tax Asset</b>	<b>12,81,03,053</b>	<b>46,98,870</b>	<b>13,28,01,923</b>

**Note 20 (Continued)****20.7 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 such as the matter referred in note 20.11 etc. Movement in Provision for Contingencies account during the year is as under:

(Amount in ₹)

Carrying Amount as at April 1, 2014	Additions during the year	Amounts used during the year	Amounts reversed during the year	Carrying Amount as at March 31, 2015
15,00,00,000	—	—	—	15,00,00,000

**20.8 Contingent Liabilities and Commitments**

- Disputed Income Tax demand **₹26,55,623** (Previous Year ₹1,48,80,197).
- Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is **₹1,63,01,228** (Previous Year ₹9,35,59,143).

**20.9 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 02, 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	<b>NIL</b>	<b>NIL</b>
Interest due thereon	<b>NIL</b>	<b>NIL</b>
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	<b>NIL</b>	<b>NIL</b>
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	<b>NIL</b>	<b>NIL</b>
Amount of interest accrued and remaining unpaid at the end of the accounting year	<b>NIL</b>	<b>NIL</b>

**20.10 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 22,000 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.

**Note 20 (Continued)**

Under Employees Stock Option Scheme 2012 – Series I (ESOS 2012 – Series I) and Employees Stock Option 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 NIL options under ESOS 2012 – Series I (Previous Year 8,70,000) vested and 45,000 options under ESOS 2012 – Series II (Previous Year NIL) vested [including 2,500 options under ESOS 2012 – Series II (Previous Year NIL) vested and lapsed]. 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 20 (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	49,000	5,000	Nil	54,500	5,000
Granted during the year	Nil	Nil	Nil	Nil	Nil	Nil
Exercised during the year	Nil	Nil	Nil	Nil	5,500	Nil
Lapsed during the year	Nil	Nil	Nil	Nil	Nil	Nil
Outstanding at the end of the year	Nil	49,000	5,000	Nil	49,000	5,000
Exercisable at the end of the year	Nil	49,000	5,000	Nil	49,000	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	7,34,000	90,000	22,000	8,70,000	90,000	Nil
Granted during the year	Nil	Nil	Nil	Nil	Nil	22,000
Exercised during the year	Nil	Nil	Nil	1,36,000	Nil	Nil
Lapsed during the year	8,000	5,000	Nil	Nil	Nil	Nil
Outstanding at the end of the year	7,26,000	85,000	22,000	7,34,000	90,000	22,000
Exercisable at the end of the year	7,26,000	42,500	22,000	7,34,000	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 20 (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 20 (Continued)**

(Amount in ₹)

Particulars	Current Year	Previous Year
Net Profit (as reported)	<b>415,50,00,107</b>	357,77,01,805
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 ₹1,42,77,910; Previous Year ₹2,39,68,613) (pro forma)	<b>94,24,849</b>	1,58,21,681
Net Profit (pro forma)	<b>414,55,75,258</b>	356,18,80,124

(Amount in ₹)

Particulars	Current Year	Previous Year
Basic earning per share (as reported)	<b>164.61</b>	141.69
Basic earning per share (pro forma)	<b>164.24</b>	141.06
Diluted earning per share (as reported)	<b>162.49</b>	140.82
Diluted earning per share (pro forma)	<b>162.13</b>	140.23

- 20.11** (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 (see note 14). SEBI has issued a further show cause notice on March 20, 2014 in respect of certain additional suspected instances of front running of the trades of HDFC Mutual Fund related to the same dealer. The Company has responded to the said notice and the matter is under review.
- (b) The exact liability, if any, on the Company in connection with the aforesaid matter cannot be determined at this stage.
- 20.12** During the previous year, the Company and HDFC Trustee Company Limited had 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 said transaction has been approved by the Securities and Exchange Board of India and the Unit holders of the schemes of Morgan Stanley Mutual Fund in the current year. The resultant goodwill has been capitalized (see note 7).
- 20.13** 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 ₹34,85,26,304 (Previous Year ₹49,70,74,174) (forming part of Trade Payables) are based on certain assumptions.
- 20.14** During the year, the Company has revised its policy on depreciation for Servers & Network under the Computer Equipments class of fixed assets. The same is being depreciated over a period of four years instead of three years earlier. Had there been no such change, the depreciation expense would have been higher by ₹ 15,94,008 and the profit before tax for the year would have been lower by the same amount.



**Note 20 (Continued)****20.15 Income in Foreign Currency**

(Amount in ₹)

Particulars	Current Year	Previous Year
Investment Advisory Fee	<b>89,19,300</b>	90,17,108
Interest Income	<b>15,448</b>	16,119

**20.16 Payments in Foreign Currency****A) Expenditure**

(Amount in ₹)

Particulars	Current Year	Previous Year
i) Staff Training Expenses	<b>Nil</b>	6,88,125
ii) Travelling Expenses	<b>2,96,558</b>	6,50,636
iii) Overseas Representative Office Expenses	<b>1,28,92,317</b>	1,27,77,689
iv) Professional Fees	<b>Nil</b>	41,13,593
v) Business Promotion	<b>4,93,77,150</b>	2,20,09,457

**B) Dividend**

(Amount in ₹)

Particulars	Current Year	Previous Year
Interim Dividend on Equity Shares		
(a) Year to which the dividend relates	<b>2014-15</b>	2013-14
(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>65,41,86,000</b>	50,32,20,000

**20.17 Comparatives Figures**

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

For and on behalf of the Board

**Deepak S. Parekh**  
Chairman  
(DIN: 00009078)

**Milind Barve**  
Managing Director  
(DIN: 00087839)

**Piyush Surana**  
Chief Financial Officer  
(ICAI Membership No.: 72979)

**Sylvia Furtado**  
Company Secretary  
(Membership No.: A17976)

Directors

**Keki Mistry**  
(DIN: 00008886)  
**James Aird**  
(DIN: 01057384)  
**Deepak B. Phatak**  
(DIN: 00046205)  
**Vijay Merchant**  
(DIN: 01773227)  
**Renu Sud Karnad**  
(DIN: 00008064)

**P. M. Thampi**  
(DIN: 00114522)  
**Rajeshwar Raj Bajaaj**  
(DIN: 00419623)  
**Humayun Dhanrajgir**  
(DIN: 00004006)  
**Hoshang S. Billimoria**  
(DIN: 00005003)  
**N. Keith Skeoch**  
(DIN: 00165850)

MUMBAI  
April 21, 2015