

The background of the cover features a light grey sky with three small, white, stylized clouds in the upper half. The lower half is dominated by large, overlapping, light grey cloud shapes that create a layered, paper-cut effect.

HDFC Asset Management Company Limited

**A Subsidiary of
Housing Development Finance Corporation Limited**

Seventeenth Annual Report 2015-2016

Board of Directors

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

Dr. Deepak B. Phatak
Independent Director
(DIN: 00046205)

Mr. Hoshang Billimoria
Independent Director
(DIN: 00005003)

Mr. Humayun Dhanrajgir
Independent Director
(DIN: 00004006)

Mr. James Aird
Non-Executive Director
(DIN: 01057384)

Mr. Keki M. Mistry
Non-Executive Director
(DIN: 00008886)

Mr. Norman Keith Skeoch
Non-Executive Director
(DIN: 00165850)

Mr. P. M. Thampi
Independent Director
(DIN: 00114522)

Mr. Rajeshwar R. Bajaj
Independent Director
(DIN: 00419623)

Ms. Renu Sud Karnad
Non-Executive Director
(DIN: 00008064)

Mr. Vijay Merchant
Independent Director
(DIN: 01773227)

Mr. Milind Barve
Managing Director
(DIN: 00087839)

Auditors

Haribhakti & Co., LLP
Chartered Accountants

Key Managerial Personnel

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

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

Bankers

HDFC Bank Ltd.

Registered Office

HDFC 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 pleasure in presenting the Seventeenth Annual Report together with the Audited Accounts of the Company for the financial year ended March 31, 2016.

Financial Results

Particulars	For the year ended March 31, 2016 (₹ in Crore)	For the year ended March 31, 2015 (₹ in Crore)
Profit before Tax	708.25	622.60
Provision for Tax (Net of Deferred Tax)	230.37	207.08
Short provision of Income Tax for earlier years (net)	0.00	0.02
Profit after Tax	477.88	415.50
Balance brought forward from previous year	937.12	760.04
Profit available for appropriation	1,415.00	1,175.54
General Reserve	47.79	41.55
Capital Redemption Reserve	0.79	—
Buy-back of Equity Shares	63.21	—
Tax on Buyback of Equity Shares	37.65	—
Interim Equity Dividend Paid	201.31	164.07
Tax on Interim Equity Dividend Paid	40.98	32.80
Proposed Equity Dividend	—	—
Tax on Proposed Equity Dividend	—	—
Balance carried to Balance Sheet	1,023.26	937.12

Overview of Company's financial performance

For the year ended March 31, 2016, the Company posted a net profit of ₹ 477.88 crores as against ₹ 415.50 crores in the previous year. Appropriations from the net profit have been effected as per the summary given above.

The net worth of the Company as on March 31, 2016 stood at ₹ 1144.35 crores as against ₹ 1112.19 crores as on March 31, 2015.

Your Company did not have any subsidiary or an associate company or a joint venture company during the financial year 2015-16.

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 2015-16 and the date of this Report.

Dividend

Your Directors had declared and paid interim dividend of ₹ 80/- per equity share (800%) of face value of ₹ 10/- each during the financial year ended March 31, 2016 in the month of March 2016 involving a total outflow of ₹ 242.29 crores including dividend distribution tax and the same is recommended to be declared as final dividend for the financial year ended March 31, 2016.

Transfer to general reserves

A sum of ₹ 47.79 crores has been transferred to the General Reserves of the Company.

Buy back of Equity Shares of the Company

The Board of Directors at their meeting held on October 20, 2015 approved the buy-back of Company's fully paid equity shares of ₹ 10/- each within the limit of 25% of the total paid-up equity share capital and free reserves of the Company as on September 30, 2015. Accordingly 7,85,400 equity shares of face value of ₹ 10/- each were bought back out of free reserves and the securities premium account of the Company.

The paid-up capital of the Company after the extinguishment of shares bought back under the buy-back scheme stood at ₹ 25,16,42,000/- comprising of 2,51,64,200 equity shares of ₹ 10/- each.

Review of operations

Your Directors are pleased to report that:

The Average Assets under Management (AAuM) during the financial year 2015-16 were ₹ 1,72,598.91 crore as against an AAuM of ₹ 1,45,860.97 crore during the financial year 2014-15, representing an increase of over 18%. HDFC Mutual Fund (HDFCMF) ranks as one of the largest fund houses in India.

The total number of accounts managed by HDFCMF is around 55.83 lac as on March 31, 2016. Your Company has established a strong and wide network of Investor Service Centres (ISCs) rendering services to its unitholders located at various locations across the country. As on March 31, 2016, your Company

has 144 ISCs. 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 (221 as on March 31, 2016) supplement the investor-servicing network of your Company. With these offices, your Company services investors in almost 200 cities pan India.

Your Company provides Discretionary and Non-Discretionary Portfolio Management to High Networth Individuals and Corporate(s) on a segregated basis while Advisory services are provided to Institutional Investors and Corporate(s). As on March 31, 2016, the aggregate assets under investment management / advisory services under Portfolio Management Services were at ₹ 1091 crore.

Your Company under Portfolio Management Services had offered "HDFC AMC PMS - Real Estate Portfolio - 1" to resident individuals and corporate(s) during 2007-08. Your Company had received net commitments of ₹ 3,831 crores from 10,168 clients. Your Company wishes to inform that "HDFC AMC PMS - Real Estate Portfolio - 1" has completed its term in February 2016 and your Company has successfully exited all the investments and distributed the entitlements to the clients.

Your Company has successfully undertaken Investment and Advisory services mandates during the financial year 2015-16 pursuant to approval received from Securities and Exchange Board of India (SEBI) with respect to undertaking Investment and Advisory services under Regulation 24(b) of the SEBI (Mutual Fund) Regulations, 1996.

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 2015-16:

HDFC Dual Advantage Fund - Series I and Series II: It is a close ended income scheme. The fund offers investors a mix of high quality debt with a small portion of equity. The fund aims to provide investors with stable debt returns and a small component of equity returns thereby attempting to give higher risk adjusted returns over the tenure of the scheme. The portfolio is structured with approximately 85-90% in debt and related instruments and a marginal exposure of about 10-15% to equities. Your Company has launched one plan under Series I and one plan under Series II each having tenure of 1160 days and 1100 days respectively. Cumulatively these funds have mobilised ₹ 341 crore. Upon maturity, each plan shall be automatically terminated and amount due shall be returned to its investors.

HDFC Sensex ETF and HDFC Nifty ETF: In light of a new business opportunity stemming from long term Provident Fund money entering equities through ETFs, your Company had launched two Exchange traded Funds (ETFs) in FY 2015-16. As the names suggest, the funds track the S&P BSE Sensex & the Nifty 50, India's most widely tracked indices. With a long term view on this space and the untapped potential of long term money entering equity markets in India, your Company believes, that ETFs will play a key role in the growth of your Company's assets under management. As on March 31st 2016, the AUM in HDFC Sensex

ETF was ₹ 2 Cr and HDFC Nifty ETF was ₹ 42 Cr.

HDFC Retirement Savings Fund:

In a continued attempt to educate investors on the benefits of long term investing and the need for retirement planning for today's relatively young population, your Company launched the HDFC Retirement Savings Fund, an open ended notified tax savings cum pension scheme. The fund aims to tap regular savings of investors by educating them on the need for early retirement planning so as to avoid the rude shock of retirement without an adequate retirement corpus. An ideal SIP (Systematic Investment Plan) product for all investors, the scheme offers investors 3 plans - Equity Plan, Hybrid Equity Plan & Hybrid Debt Plan, each designed to cater to the needs and risk profiles of investors as they age and as their lifestyles and needs evolve over time.

Your Company had aggressively positioned this product with a 'Retire in Style' Campaign. During the NFO the fund collected ₹ 113 Cr across the 3 plans with a large number of applications coming in by way of SIPs (Systematic Investment Plans).

HDFC Fixed Maturity Plans: These are close ended income schemes. They automatically mature at the end of the tenure. Your Company has launched 38 plans during the year with mobilisation of ₹ 7,347 crore.

As on 31st March, 2016, your Company has a portfolio of 209 schemes under various categories such as Equity, Debt, Exchange Traded Fund, Fixed Maturity Plans and Interval Funds.

Awards

Your Directors are pleased to inform that schemes/ Fund Managers of HDFC Mutual Fund received the

following awards during the financial year 2015-16: –

- Mr. Milind Barve has won the “**Maxell Award for Excellence in Business Leadership 2015**”.

- Mr. Chirag Setalvad has been awarded No. 1 Fund Manager in the **10 Best Fund Managers 2015 – ET Wealth & Morningstar** ranking.

- **Outlook Business Magazine #**

Mr. Prashant Jain and Mr. Chirag Setalvad were amongst the Best Fund Managers rated by **Outlook Business - Value Research Ranking** during the year.

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

- **CNBC Awaaz 10th Real Estate Awards 2015 #**

HDFC AMC PMS Real Estate Portfolio – I won the “**Real Estate Fund of the Decade**” award 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.

Directors and Key Managerial Personnel

Directors

Mr. Keki Mistry and Mr. N. Keith Skeoch, Directors, are liable to retire by rotation at the ensuing Annual General Meeting (AGM) pursuant to the provisions of Section 152 of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and the Articles of Association of your Company and being eligible have offered themselves for re-appointment.

Necessary proposals for their re-

appointment have been placed for your approval at the ensuing AGM. The brief resumé of these Directors and other related information has been detailed in the Notice convening the AGM of your Company. Your Directors recommend their re-appointment as Non-Executive Directors of your Company.

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

Key Managerial Personnel (KMP)

In accordance with the provisions of Section 2(51) and 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 are the Key Managerial Personnel (KMP) of your Company.

Independent Directors

Pursuant to provisions of Section 149, 150 and 152 of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014, along with Schedule IV of the Act (including any statutory modification(s) or re-enactment thereof for the time being in force) and shareholders' approval at the Fifteenth Annual General Meeting, the following Independent Directors hold office for a term of five consecutive years up to July 20, 2019, not liable to retire by rotation, on the Board of Directors of your Company:

1. Mr. Hoshang Billimoria
2. Mr. Humayun Dhanrajgir
3. Mr. P.M. Thampi

4. Dr. Deepak Phatak
5. Mr. Rajeshwar Bajaaj
6. Mr. Vijay Merchant

Declaration of independence

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 submitted declarations stating that they meet the criteria of independence as per the provisions of the Companies Act, 2013.

Formal annual evaluation of Board's performance

During the year, the Board based on the recommendation of the Nomination & Remuneration Committee laid down the evaluation criteria for the performance of the executive, non – executive and independent directors through a peer evaluation excluding the director being evaluated through a questionnaire. The questionnaire was the key part of the process of

reviewing the functioning of the Board. Each Board member evaluates the performance of the Board dynamics, information flow, decision making, effectiveness of the Board as a whole and its various committees. The Directors were satisfied with the evaluation results, which reflected the overall engagement of the Board and its Committees with the Management of your Company.

Corporate Governance:

Board Meetings

During the financial year 2015-16, seven (7) meetings of the Board of Directors of your Company were held - on April 21, 2015; June 18, 2015; July 27, 2015; October 20, 2015; October 21, 2015; December 8, 2015; and January 21, 2016.

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

The details pertaining to attendance of each Director at the meetings of the Board of Directors held during the financial year 2015-16 is mentioned below:

Sr. No.	Name of the Director	Nature of Directorship	Number of Board Meetings Attended
1	Mr. Deepak S. Parekh	Non-Executive Chairman	7
2	Mr. Norman Keith Skeoch	Non-Executive Director	4
3	Mr. James Aird	Non-Executive Director	5
4	Ms. Renu Sud Karnad	Non-Executive Director	7
5	Mr. Keki Mistry	Non-Executive Director	7
6	Mr. Humayun Dhanrajgir	Independent Director	5
7	Mr. Hoshang Billimoria	Independent Director	7
8	Mr. P. M. Thampi	Independent Director	7
9	Dr. Deepak B. Phatak	Independent Director	5
10	Mr. Vijay Merchant	Independent Director	7
11	Mr. Rajeshwar R. Bajaaj	Independent Director	7
12	Mr. Milind Barve	Managing Director	7

Committee meetings

Audit Committee

The Audit Committee has been constituted and functions in accordance with the provisions of Section 177 of the Companies Act, 2013. The Company Secretary acts as the secretary to the Committee. The Audit Committee met five (5) times during the financial year 2015-16 on April 21, 2015; June 18, 2015; July 27, 2015; October 20, 2015 and January 21, 2016. The composition of the Committee along with the details of the meetings held and attended by the members of the Committee during the financial year 2015-16 is detailed below:

Sr. No.	Name of the Director	Meeting details	
		Held	Attend-ed
1	Mr. Hoshang Billimoria (Chairman)	5	5
2	Mr. Humayun Dhanrajgir	5	4
3	Mr. James Aird	5	4
4	Mr. Keki Mistry	5	5
5	Mr. P. M. Thampi	5	5

Nomination & Remuneration Committee

The Nomination & Remuneration Committee comprises of following members – Mr. P. M. Thampi (Chairman), Mr. Hoshang Billimoria and Mr. Humayun Dhanrajgir. The Company Secretary acts as the secretary to the Committee. The Committee met three (3) times during the financial year 2015-16 on April 10, 2015; December 8, 2015 and January 21, 2016. The meetings were attended by all the members of the Committee.

Corporate Social Responsibility Committee

The Corporate Social Responsibility

Committee comprises of following members – Mr. Deepak Parekh (Chairman), Mr. Milind Barve and Mr. Vijay Merchant. The Committee met once during the financial year 2015-16 on June 18, 2015. The meeting was attended by all the members of the Committee.

Independent Directors Meeting

In accordance with the provisions of Schedule IV (Code for Independent Directors) of the Companies Act, 2013, the Independent Directors of the Company met once during the year 2015-16 without the attendance of Non-Independent Directors and members of the management.

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 of the Companies Act, 2013. The salient aspects covered in the Policy have been outlined in **Annexure I** to this report. The remuneration paid to the Directors, Key Managerial Personnel and senior management is as per the Remuneration Policy of your Company.

Issue of Employee Stock Options

During the year under review, the Company formulated an Employee Stock Option Scheme ('ESOP 2015') in line with the requirements under the Companies Act, 2013. Details of the shares issued under ESOP 2015 and also the disclosures in compliance with Section 62 of the Companies Act, 2013 and Rule 12 of Companies (Share Capital and Debentures) Rules, 2014 are set out in the **Annexure II** to this report. No

employee was issued Stock Option, during the year equal to or exceeding 1% of the issued capital of your Company at the time of grant.

Your Company has not issued equity shares with differential rights as to dividend, voting or otherwise.

Voting Rights Not Exercised Directly by Employees – Not applicable.

Auditors and Auditor's Report

Statutory Auditors

M/s. Haribhakti & Co., LLP, Chartered Accountants, Statutory Auditors of your Company holds office until the conclusion of the ensuing Annual General Meeting (AGM) and is eligible for re-appointment. Your 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.

The Audit Committee and the Board of Directors recommend the appointment of M/s. Haribhakti & Co., LLP, Chartered Accountants, as the Auditors of your Company for the financial year 2016-17 till the conclusion of the next AGM.

Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Company has appointed M/s. Bhandari & Associates, Company Secretaries to conduct the Secretarial Audit of your Company. The Secretarial Audit Report is annexed herewith as **Annexure III** to this 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 respective audit reports.

Risk Management Policy

Your Company has put in place an Enterprise Risk Management (ERM) framework to identify, assess, monitor and mitigate various business risks. The Risk Management Policy of your 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 your 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 your 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 your Company and other control mechanisms have been devised to promote reliable financial reporting, safeguarding of assets and prevention and detection of frauds and errors. This framework provides adequate internal controls with reference to financial statements, 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 Financial Control Systems within your Company.

Corporate Social Responsibility

In terms of section 135 of the Companies Act 2013, your Company has formed a Corporate Social Responsibility (CSR) Committee of Directors to decide activities to be undertaken, expenditure to be incurred and to monitor the performance of the CSR activities undertaken by your Company.

The Corporate Social Responsibility Committee comprises of Mr. Deepak Parekh (Chairman), Mr. Vijay Merchant and Mr. Milind Barve. The Company Secretary acts as the secretary to the Committee.

Your Company undertakes its Corporate Social Responsibility (CSR) activities through a variety of effective programs. Some of the thrust areas which your Company has identified to undertake CSR activities are in the areas of promoting preventive health care, promoting sports and promoting education. These activities are broadly in accordance with the Schedule VII of the Companies Act, 2013.

The Board of Directors and the CSR Committee reviews and monitors from time to time all the CSR activities being undertaken by your Company. The annual report on CSR activities in accordance with the Companies (Corporate Social Responsibility Policy) Rules, 2014, is set out at **Annexure IV** to this report.

The contents of the CSR Policy as well as the CSR activities undertaken by your Company are available on the website: www.hdfcfund.com

Particulars of Contracts or Arrangements with Related Party

During the financial year 2015-16, your Company has entered into transactions with related parties

as defined under Section 2(76) of the Companies Act, 2013 read with Companies (Specification of Definitions Details) Rules, 2014, which were in the ordinary course of business and on arms' length basis and in accordance with the provisions of the Companies Act, 2013, Rules issued thereunder. In terms of Section 134 of the Companies Act, 2013

read with Rule 8 of the Companies (Accounts) Rules, 2014, details of material transactions are provided in form AOC-2 set out at **Annexure V** to this report.

The details of related party disclosures form part of the notes to the financial statements provided in this report in accordance with Accounting Standards.

Particulars of Loans, Guarantees or Investments

Your 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 category-wise viz. Body Corporate and others i.e. Mutual Funds.

Name of the body corporate	Amount / outstanding amount (₹ in Crores)	Particulars of loans, guarantees and investments
HDFC Mutual Fund	851.06	Investments under different schemes of HDFC Mutual Fund
Faering Capital India Evolving Fund	17.78	Venture Fund
Faering Capital India Evolving Fund II	4.5	Alternative Investment Fund
National Highways Authority of India	6.18	Tax-free Secured Redeemable Non Convertible Bonds - 8.20% 10 Year Plan
Indian Railway Finance Corporation Ltd.	16.31	Tax-free Secured Redeemable Non Convertible Bonds - 8% 10 Year Plan
L&T Finance Holdings Ltd.	30.00	8.15% Cumulative Non-Convertible Compulsorily Redeemable Preference Shares
Rural Electrification Corporation Ltd.	19.99	Tax-Free Secured Redeemable Non-Convertible Bonds 8.46% - 15 Year
Infrastructure Leasing & Financial Services Limited	40.00	16.06% Redeemable Preference Shares
MF Utilities India Pvt. Limited	0.05	Unlisted Equity Shares
Total	985.87	

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

There are no guarantees issued by your Company in accordance with Section 186 of the Companies Act, 2013 read with the Rules issued thereunder.

Public Deposits

During the financial year 2015-16, your Company has not accepted any deposits within the meaning of Sections 73 and 74 of the Companies Act, 2013 read together with the Companies (Acceptance of Deposits) Rules, 2014.

Extract of Annual Return

The details forming part of the extract of the annual return as on the financial year ended on March 31, 2016 is attached hereto as **Annexure VI**.

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

(a) Since your 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 is not applicable.

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

- Foreign exchange (earnings): ₹ 0.88 crores (previous year: ₹ 0.89 crores)
- Foreign exchange (expenditure): ₹ 88.26 crores (previous year: ₹ 71.68 crores) (including Equity Dividend)

Particulars of Employees

As on March 31, 2016, your Company has 663 employees and for the previous year, your Company had 613 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 your Company at the end of March 31, 2016 and of the profit of your Company for that period;

(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 your Company and for preventing and detecting frauds and other irregularities;

(iv) the annual accounts of your 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.

Prevention of Sexual Harassment Policy and its Reporting

Your Company has framed and implemented a Policy on Sexual Harassment of Women at Workplace aiming at prevention of harassment of employees and also lays down the guidelines for identification, reporting and prevention of undesired behaviour. 5 (five) Internal Complaints Committees (ICC) were constituted in accordance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 with women employees constituting a majority and an external member. The Policy, ICC Members' details and the Penal consequences of violating the Act/policy are displayed at all offices and on the Intranet. Appointment Letters issued to new employees and other contracts carry a clause on Prevention of Sexual Harassment as a 'Term of Employment /

Engagement'. The ICC Members are trained and made aware of their roles and responsibilities. Regular staff awareness sessions are conducted to generate awareness about the policy, reporting mechanism and prevention of Sexual Harassment at the workplace. During the year, the ICC did not receive any complaints pertaining to Sexual Harassment.

Significant/material orders passed by the regulators

There are no significant and material orders by any regulator, court, tribunals impacting the going concern status of your company and its operations in future.

Acknowledgements

Your 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. Your 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.

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

Your 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

DEEPAK S. PAREKH
Chairman
(DIN: 00009078)

MUMBAI

April 19, 2016

CIN No.: U65991MH1999PLC123027

Registered Office:

"HDFC House", 2nd Floor, H. T. Parekh Marg
165 - 166, Backbay Reclamation,
Churchgate, Mumbai - 400 020

Tel.: 022 - 6631 6333, Fax: 022 - 66580203

ANNEXURE I

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.

Annexure II
DETAILS ON EMPLOYEE STOCK OPTION SCHEME

In line with the disclosure requirements under the Companies Act, 2013, the various components of the Scheme formulated during the Financial Year 2015-16, are as below:

(a)	Options granted	10,00,000
(b)	Options vested	NIL
(c)	Options exercised	NIL
(d)	The total number of shares arising as a result of exercise of options	NIL
(e)	Options lapsed	NIL
(f)	The exercise price	₹ 3,944/-
(g)	Variation of terms of options	—
(h)	Money realised by exercise of options	—
(i)	Total number of options in force	10,00,000
(j)	Employee wise details of options granted to (including percentage to total grant)-	
	(i) Key managerial personnel	Mr. Milind Barve (Managing Director) 1,25,000 options (12.5%) Mr. Piyush Surana (Chief Financial Officer) 18,000 options (1.8%) Ms. Sylvia Furtado (Company Secretary) 15,000 options (1.5%)
	(ii) Any other employee who receives grant of options in any one year of option amounting to five per cent or more of options granted during the year	Mr. Prashant Jain (Chief Investment Officer) 1,00,000 options (10%)
	(iii) Identified employees who were granted option, during any one year, equal to or exceeding one per cent of the issued capital (excluding outstanding warrants and conversion) of the company at the time of grant	NIL

ANNEXURE III
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2016

*[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, 2016** 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 31st March, 2016 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. The Company does not have any Overseas Direct Investment and External Commercial Borrowings during the financial year.
- 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 and Regulations, 2015;
 - 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 and The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;#
 - 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.

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) under SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 ("Listing Regulations, 2015").

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 Directors and Independent Directors. There were no changes in the composition of the Board of Directors during the period under review.

The Company has provided notice(s) to all the directors for the Board meeting(s) exceeding seven days in advance. The Agenda and the detailed notes on agenda were circulated to the directors seven days in advance as required by Secretarial Standards-1(SS-1). 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 undertaken following events/actions-

- I. Member's approval was obtained in the Extraordinary General meeting held on October 21, 2015 for buy back its Equity shares. Company has bought back & extinguished 7,85,400 Equity Shares of Rs. 10/- each under the provisions of the Companies Act, 2013.
- II. Member's approval was obtained in the Extraordinary General meeting held on December 09, 2015 to create, issue, offer and allot upto 10,50,000 equity shares of ₹ 10/- each under various Employees Stock Option Scheme(s) under the provisions of the Companies Act, 2013.

For Bhandari & Associates
Company Secretaries

S. N. Bhandari
Partner

FCS No: 761; C P No. : 366
MUMBAI
Date: April 19, 2016

This report is to be read with our letter of even date which is annexed as Annexure 'A' and forms an integral part of this report.

'Annexure A'

To
The Members,
HDFC ASSET MANAGEMENT COMPANY LIMITED
CIN: U65991MH1999PLC123027

Our Secretarial Audit Report for the Financial Year ended on March 31, 2016 of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Whereever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company

For **Bhandari & Associates**
Company Secretaries

S.N.Bhandari
Partner

FCS No: 761; CP. No: 366
MUMBAI
Date: April 19, 2016

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

1. 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.

Your Company carries its Corporate Social Responsibility (CSR) activities through its implementing agencies viz. Indian Cancer Society (ICS), Society for Rehabilitation of Crippled Children (SRCC), Olympic Gold Quest Foundation for Promotion of Games and Sports and The CHILDS Trust Medical Research Foundation. The details of the AMC's CSR Initiatives project/programs and activities are provided in this annexure and more particularly specified in the CSR Policy which is uploaded and can be viewed on www.hdfcfund.com

2. The Composition of the CSR Committee

As on March 31, 2016, the CSR Committee comprises of following members of the Board - Mr. Deepak S. Parekh (Chairman), Mr. Vijay Merchant and Mr. Milind Barve (Managing Director).

3. Average net profit of the company for last three financial years: ₹ 5,03,76,36,230/-

4. Prescribed CSR Expenditure (2% of the amount as in item 3 above): ₹ 10,07,52,725/-

5. Details of CSR spent during the financial year:

(a) Total amount spent for the financial year: ₹ 9,02,03,000/-

(b) Amount unspent: ₹ 1,05,49,725/- (Refer to No. 6)

(c) 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 or through Implementing agency
					Direct expenditure on projects or programs	Overheads		
1.	Indian Cancer Cure Fund Project (ICCFP)	Promotion of Health Care	City: Mumbai State: Maharashtra	₹ 5 crs per annum for 3 years effective FY 2014-2015 & dividend on the investment made in HDFC Cancer Cure Fund 2014 (Scheme) by the Company for 3 years effective FY 2014-2015 & ₹ 5 crs as and when deemed necessary (request received for ₹ 1.6368 crs during the year)	6,87,03,000	—	12,21,39,000	6,87,03,000 Implementing Agency

(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 or through Implementing agency
					Direct expenditure on projects or programs	Overheads		
2.	SRCC Children's Hospital	Promotion of Health Care	City: Mumbai State: Maharashtra	2,50,00,000	1,40,00,000	—	2,50,00,000	1,40,00,000 Implementing Agency
3.	Olympic Gold Quest Junior Scholarship Program	Training for Olympic sports	Athletes from any region in India	45,00,000	45,00,000	—	95,00,000	45,00,000 Implementing Agency
4.	The CHILDS Trust Medical Research	Promotion of health	City: Chennai State: Tamil Nadu	30,00,000	30,00,000	—	30,00,000	30,00,000 Implementing Agency
	TOTAL			9,02,03,000	9,02,03,000			9,02,03,000

*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

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:**
The thrust on contribution towards Company's CSR initiatives is based on the merit of the CSR project/partner in order to deliver optimal impact. The Company will strive to associate with more CSR partners for meritorious projects to meet the targeted CSR spend.
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

ANNEXURE V
FORM AOC – 2

1. Details of contracts or arrangements or transactions not at arm's length basis: NIL

Company has not entered into any contract or arrangement or transaction with its related parties which is not at arm's length during financial year 2015-16.

2. Details of material contracts or arrangement or transactions at arm's length basis:

(a)	Names of the related party and nature of relationship	HDFC Limited (Holding Company)
(b)	Nature of contracts/arrangements/transactions	Payment related to advisory services provided by HDFC Ltd for Real Estate Portfolio
(c)	Duration of the contracts/arrangements/transactions	8 years effective February 2008. The term ended in February 2016
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	HDFC Limited advises the Company on its Portfolio Management Services with respect to its real estate portfolio. Payment of Advisory fees, <i>inter alia</i> , includes advisory services fees and performance linked fee with respect to advisory services provided for real estate investment.
(e)	Date(s) of approval by the Board	—
(f)	Amount paid as advances, if any	—

Note: Above mentioned transaction was entered into by the Company in its ordinary course of business. For determining materiality, thresholds provided in Rule 15(3) of the Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014 have been referred to.

Deepak Parekh
Chairman

ANNEXURE VI

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 / Company having Share Capital
- v. **Address of the Registered office and contact details** : “HDFC House”, 2nd 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 Share Transfer Agent Limited (for dematerialized shares of the Company)
Address: Office No 002, 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 4020 6020

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	83.86
2.	Portfolio Management Services	6619	16.14

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.	<u>HDFC Limited</u> Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate - 400 020	L70100MH1977PLC019916	Holding Company	59.99%	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	59.99	0.18
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	59.99	0.18
(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	59.99	0.18
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) FIIs	—	—	—	—	—	—	—	—	—
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	40.00	0.13
b) Individuals									
i) Individual Shareholders holding nominal share capital upto ₹ 1 lakh	4,800	—	4,800	0.02	3,200	—	3,200	0.01	(0.01)
ii) Individual Shareholders holding nominal share capital in excess of ₹ 1 lakh	75,000	—	75,000	0.30	—	—	—	—	(0.30)
c) Others	—	—	—	—	—	—	—	—	—
Sub-total (B)(2)	1,01,44,200	—	1,01,44,200	40.19	1,00,67,600	—	1,00,67,600	40.01	0.18
Total Public Shareholding (B)=(B)(1)+(B)(2)	1,01,44,200	—	1,01,44,200	40.19	1,00,67,600	—	1,00,67,600	40.01	0.18
C. Shares held by Custodian for GDRs & ADRs: NIL									
Grand Total (A+B+C)	2,52,40,730	70	2,52,40,800	100	2,51,64,130	70	2,51,64,200	100	0.30

(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	59.99	—	0.18

(iii) Change in Promoters' Shareholding

There is no change in the shareholding of the Promoters. The percentage change in the Promoter's holding is due to buy back of equity shares of the Company.

(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		Cumulative shareholding during 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	40.00
2.	Mr. Amitabh Prakash	1,100	0.00	1,100	0.00
3.	Mr. Abhijit Mungale	500	0.00	1,000	0.00
4.	Mr. Prashantkumar Rajendra Jain	1,000	0.00	1,000	0.00
5.	Mr. Srikanth G.	1,500	0.00	100	0.00

[#] the percentage change is due to buy back of equity shares of the Company during the year.

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

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative shareholding during the year	
	Name of the Director/KMP	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Mr. Deepak Parekh	30,000	—	—	—
2.	Mr. Keki Mistry	22,500	—	—	—
3.	Ms. Renu Sud Karnad	22,500	—	—	—
4.	Mr. Milind Barve	—	—	—	—
5.	Mr. Piyush Surana	—	—	—	—
6.	Ms. Sylvia Furtado	—	—	—	—

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:**

(₹ in Crs.)

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	6.24	6.24
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.01	0.01
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	—	—

(₹ in Crs.)

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	—	—
	Total (A)	6.25	6.25
	Ceiling as per the Act	5% of the net profits of the Company	

NOTE: *The above remuneration excludes perquisite value of Rs. 19.97 crs towards the stock options exercised during the year which were granted to him under Employee Stock Option Scheme 2012.

B. Remuneration to other Directors:

I: Independent Directors

(₹ in Crs.)

Sl. No.	Particulars of Remuneration	Name of Directors						Total Amount
		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	0.20	0.18	0.18	0.20	0.17	0.12	1.05
2.	Commission	—	—	—	—	—	—	—
3.	Others	—	—	—	—	—	—	—
	Total (1)	0.20	0.18	0.18	0.20	0.17	0.12	1.05

II: Other Non-Executive Directors

(₹ in Crs.)

Sl. No.	Particulars of Remuneration	Name of Directors					Total Amount
		Mr. Deepak Parekh	Mr. Keki Mistry	Mr. James Aird	Mr. Norman Skeoch	Ms. Renu S. Karnad	
1.	Fee for attending board/ committee meetings	0.16	0.19	NIL	NIL	0.15	0.50
2.	Commission	—	—	—	—	—	—
3.	Others	—	—	—	—	—	—
	Total (2)	0.16	0.19	NIL	NIL	0.15	0.50
	Total (B)=(1+2)						1.55
	Ceiling as per the Act	1% of the Net Profits of the Company					

C. Remuneration to Key Managerial Personnel other than MD:

(₹ in Crs.)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		Total
		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	1.23	0.64	1.87
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.00	0.00	0.00
	(c) Profits in lieu of salary under Section 17(3) of the Income tax Act, 1961	—	—	—
2.	Stock Option	—	—	—
3.	Sweat Equity	—	—	—
4.	Commission			
	– as % of profit	—	—	—
	– others	—	—	—
5.	Others	—	—	—
	Total (C)	1.23	0.64	1.87

NOTE:

* The above remuneration excludes perquisite value of ₹ 1.88 crs in case of Mr. Piyush Surana and ₹ 2.72 crs in case of Ms. Sylvia Furtado, towards the stock options exercised during the year which were granted to them under Employee Stock Option Scheme 2012.

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES: NIL

No penalties/punishment/compounding of offences were levied under the Companies Act, 2013.

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, 2016, 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 there under.

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. 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, 2016, 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, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in "Annexure 1", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

(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 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;

Independent Auditors' Report (Continued)

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, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act;

f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, we give our separate Report in "Annexure 2".

g. 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) and (b) (on Contingent Liabilities) to the financial statements;

(ii) The Company did not have any long-term contracts including derivative contracts. Hence, the question of any material foreseeable losses does not arise;

(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 19, 2016
Membership No. 017000

Annexure 1 to 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, 2016]

(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.

(c) The title deeds of immovable properties recorded in the books of account of the Company are held in the name of the Company.

(ii) The Company does not hold any inventory. Accordingly, the provision stated in paragraph 3 (ii) of the Order is not applicable.

(iii) As informed, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, paragraph 3 (iii) (a), 3 (iii) (b) and 3 (iii) (c) of the Order are not applicable to the Company.

(iv) Based on information and explanation given to us in respect of investments, the Company has complied with the provisions of Section 186 of the Act.

(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 there under.

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

AND

(a) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income 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.

(b) According to the information and explanation given to us, the dues outstanding with respect to, income tax on account of 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. 2008-09	High Court of Bombay
Income Tax Act, 1961	Income Tax	11,68,753/-	A.Y. 2011-12	Commissioner of Income Tax (Appeals)

(viii) According to the information and explanations given to us, the Company has not taken any loans or borrowings from the bank.

(ix) The Company has neither raised money by way of public issue

offer nor has obtained any term loans. Therefore, paragraph 3(ix) of the Order is not applicable to the Company.

(x) 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 by the Company or any fraud on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such instance by the management.

(xi) As per the information and explanations given to us, managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

(xii) In our opinion, the Company is not a Nidhi Company. Therefore, paragraph 3 (xii) of the Order is not applicable to the Company.

(xiii) As per the information and explanation given to us, all transactions entered into by the Company with the related parties are in compliance with

Sections 177 and 188 of Act, where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards.

(xiv) The Company has not made

Annexure 1 to the Independent Auditors' Report (Continued)

any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Therefore paragraph 3(xiv) of the Order is not applicable to the Company.

(xv) The Company has not entered

into any non-cash transactions with directors or persons connected with him.

(xvi) Based on the information and explanation given to us the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

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

Chetan Desai
Partner
MUMBAI
April 19, 2016
Membership No. 017000

Annexure 2 to the Independent Auditors' Report

[Referred to in paragraph 2 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, 2016]

Para 1 - Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **HDFC Asset Management Company Limited** ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Para 2-Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial

information, as required under the Companies Act, 2013.

Para 3 - Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing specified under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence

we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Para 4 - Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Para 5 - Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper

Annexure 2 to the Independent Auditors' Report (Continued)

management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Para 6 - Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of

Internal Financial Controls Over Financial Reporting issued by the ICAI.

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

Chetan Desai
Partner
MUMBAI
April 19, 2016 Membership No. 017000

Balance Sheet as at March 31, 2016

Particulars	Note No.	₹	₹	March 31, 2015 ₹
EQUITY AND LIABILITIES				
SHAREHOLDERS' FUNDS				
Share Capital	2	25,16,42,000		25,24,08,000
Reserves and Surplus	3	1126,05,77,465		1094,64,97,158
NON-CURRENT LIABILITIES				
Long-Term Provisions	4	15,00,00,000		15,00,00,000
CURRENT LIABILITIES				
Trade Payables	5	171,97,91,208		95,09,29,960
Other Current Liabilities	6	84,51,90,770		81,76,71,962
		256,49,81,978		176,86,01,922
TOTAL		1422,72,01,443		1311,75,07,080
ASSETS				
NON-CURRENT ASSETS				
Fixed Assets	7			
— Tangible Assets		22,77,10,150		24,37,98,344
— Intangible Assets		8,39,07,074		9,41,45,239
		31,16,17,224		33,79,43,583
Non-Current Investments	8	159,85,95,221		161,68,01,930
Deferred Tax Assets (net) (see note 20.6)	9	13,88,98,680		13,28,01,923
Long-Term Loans and Advances	10	111,08,31,967		175,29,52,107
		315,99,43,092		384,04,99,543
CURRENT ASSETS				
Current Investments	11	825,92,74,304		488,83,83,990
Trade Receivables	12	38,57,03,769		16,57,46,505
Cash and Bank Balances	13	98,01,192		2,56,73,858
Short-Term Loans and Advances	14	159,52,91,675		248,74,88,248
Other Current Assets	15	81,71,87,411		170,97,14,936
		1106,72,58,351		927,70,07,537
TOTAL		1422,72,01,443		1311,75,07,080

See accompanying notes to the financial statements

As per our report attached of even date For and on behalf of the Board

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

Chetan Desai
Partner
Membership No. 17000

MUMBAI
April 19, 2016

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)

Directors

Keki Mistry
(DIN: 00008886)

James Aird
(DIN: 01057384)

Deepak B. Phatak
(DIN: 00046205)

Vijay Merchant
(DIN: 01773227)

Renu S. Karnad
(DIN: 00008064)

P. M. Thampi
(DIN: 00114522)

Rajeshwar Raj Bajaj
(DIN: 00419623)

Humayun Dhanrajgir
(DIN: 00004006)

Hoshang S. Billimoria
(DIN: 00005003)

Statement of Profit and Loss for the year ended March 31, 2016

Particulars	Note No.	₹	Previous Year ₹
REVENUE			
Revenue from Operations	16	1442,54,42,441	1022,43,84,347
Other Income	17	51,79,72,726	41,83,78,597
TOTAL REVENUE		1494,34,15,167	1064,27,62,944
EXPENSES			
Employee Benefits Expense	18	143,18,75,329	127,50,70,029
Depreciation and Amortization Expense	7	11,05,97,809	10,13,90,992
Other Expenses	19	631,84,45,903	304,03,46,601
TOTAL EXPENSES		786,09,19,041	441,68,07,622
PROFIT/(LOSS) BEFORE TAX		708,24,96,126	622,59,55,322
Tax Expense:			
Current Tax		230,97,97,910	207,54,66,003
Deferred Tax		(60,96,757)	(46,98,870)
Previous Year's Tax		(145)	1,88,082
PROFIT/(LOSS) AFTER TAX		477,87,95,118	415,50,00,107
Earnings Per Equity Share (Face Value ₹ 10) (see note 20.5)			
— Basic		189.11	164.61
— Diluted		188.47	162.49

See accompanying notes to the financial statements

As per our report attached of even date For and on behalf of the Board

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

Chetan Desai
Partner
Membership No. 17000

MUMBAI
April 19, 2016

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)

Directors

Keki Mistry
(DIN: 00008886)

James Aird
(DIN: 01057384)

Deepak B. Phatak
(DIN: 00046205)

Vijay Merchant
(DIN: 01773227)

Renu S. Karnad
(DIN: 00008064)

P. M. Thampi
(DIN: 00114522)

Rajeshwar Raj Bjaaj
(DIN: 00419623)

Humayun Dhanrajgir
(DIN: 00004006)

Hoshang S. Billimoria
(DIN: 00005003)

Cash Flow Statement for the year ended March 31, 2016

	₹	Previous Year ₹
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and extraordinary items	708,24,96,126	622,59,55,322
Add / (Less) : Adjustment for		
Depreciation and Amortization	11,05,97,809	10,13,90,992
Provision for / (Reversal of) Diminution in the Value of Current Investments	8,70,360	—
(Profit) / Loss on Sale of Investments (net)	(23,58,87,380)	(15,49,35,720)
(Profit) / Loss on Sale of Fixed Assets (net)	(12,57,576)	(20,05,249)
Investment Income	(23,99,26,706)	(17,68,52,960)
Provision for Wealth Tax	—	6,17,010
Operating Profit before working capital changes	671,68,92,633	599,41,69,395
(Increase) / Decrease in Loans and Advances	158,78,60,903	(193,52,20,093)
(Increase) / Decrease in Other Current Assets	89,25,21,702	(69,71,10,408)
(Increase) / Decrease in Trade Receivables	(21,99,57,264)	(1,09,47,294)
Increase / (Decrease) in Current Liabilities	79,63,80,056	(28,22,11,941)
Cash generated from / (used in) operations	977,36,98,030	306,86,79,659
Income Tax Paid	(235,34,71,153)	(212,04,42,017)
Net cash from / (used in) operating activities	742,02,26,877	94,82,37,642
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(9,41,43,343)	(15,95,96,555)
Proceeds from Sale of Fixed Assets	12,58,667	25,95,227
Purchase of Investments	(3862,85,22,931)	(2133,14,11,838)
Proceeds from Sale of Investments	3562,13,44,468	2241,37,95,026
Dividend Received	9,43,27,638	7,46,78,768
Interest Received	3,50,38,817	3,56,39,101
Net cash from / (used in) investing activities	(297,06,96,684)	103,56,99,729
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Share Capital	143,16,23,600	—
Buy Back of Equity Shares	(309,76,17,600)	—
Tax on Shares Bought Back	(37,65,23,689)	—
Interim Equity Dividend Paid	(201,31,36,000)	(164,06,52,000)
Tax Paid on Interim Equity Dividend	(40,98,27,122)	(32,80,33,891)
Net cash from / (used in) financing activities	(446,54,80,811)	(196,86,85,891)
Net Increase / (Decrease) in cash and cash equivalents	(1,59,50,618)	1,52,51,480
Cash and cash equivalents at the beginning of the Year (see note 13)	2,46,34,413	93,82,933
Cash and cash equivalents at the end of the Year (see note 13)	86,83,795	2,46,34,413
	(1,59,50,618)	1,52,51,480

As per our report attached of even date For and on behalf of the Board

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

Deepak S. Parekh
Chairman
(DIN: 00009078)

Milind Barve
Managing Director
(DIN: 00087839)

Directors

Keki Mistry
(DIN: 00008886)

Renu S. Karnad
(DIN: 00008064)

James Aird
(DIN: 01057384)

P. M. Thampi
(DIN: 00114522)

Deepak B. Phatak
(DIN: 00046205)

Rajeshwar Raj Bajaaj
(DIN: 00419623)

Vijay Merchant
(DIN: 01773227)

Humayun Dhanrajgir
(DIN: 00004006)

Hoshang S. Billimoria
(DIN: 00005003)

Chetan Desai
Partner
Membership No. 17000

MUMBAI
April 19, 2016

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

Sylvia Furtado
Company Secretary
(Membership No.: A17976)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (NOTES) FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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 period 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

Upfront 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. Advance Trail commission is amortised over the period for which it is paid.

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, 2016

Note 2

SHARE CAPITAL

	As at March 31, 2016 ₹	As at March 31, 2015 ₹
AUTHORISED		
3,00,00,000 (Previous Year 3,00,00,000) Equity Shares of ₹ 10 each	30,00,00,000	30,00,00,000
5,00,00,000 (Previous Year 5,00,00,000) Redeemable, Cumulative Non-Convertible Preference Shares of ₹ 10 each	50,00,00,000	50,00,00,000
Total	80,00,00,000	80,00,00,000
ISSUED, SUBSCRIBED AND PAID-UP		
2,51,64,200 (Previous Year 2,52,40,800) Equity Shares of ₹ 10 each, fully paid up	25,16,42,000	25,24,08,000
Total	25,16,42,000	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	2,52,40,800	25,24,08,000	2,52,40,800	25,24,08,000
Add : Shares issued during the Year	7,08,800	70,88,000	—	—
Less : Shares bought back during the Year	7,85,400	78,54,000	—	—
Shares outstanding at the end of the Year	2,51,64,200	25,16,42,000	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 percent 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	1,50,96,600	59.99	1,50,96,600	59.81
Standard Life Investments Limited	1,00,64,400	39.99	1,00,64,400	39.87

11,78,200 (Previous Year 8,87,000) equity shares of ₹ 10 each are reserved for issuance towards outstanding employee stock options.

19,15,750 equity shares of ₹10 each were bought back during last five years.

Note 3**RESERVES AND SURPLUS**

	As at March 31, 2016 ₹	As at March 31, 2015 ₹
Capital Redemption Reserve		
Opening Balance	51,62,32,000	51,62,32,000
Add : Transfer from Surplus in Statement of Profit and Loss	78,54,000	—
Capital Redemption Reserve	52,40,86,000	51,62,32,000
Securities Premium Account		
Opening Balance	—	—
Add : Additions during the Year	142,45,35,600	—
Less : Utilised during the Year	142,45,35,600	—
	—	—
General Reserve		
Opening Balance	103,31,14,552	61,76,14,541
Add : Transfer from Surplus in Statement of Profit and Loss	47,78,79,512	41,55,00,011
Less : Utilised during the Year	103,31,14,552	—
General Reserve	47,78,79,512	103,31,14,552
Reserve for social / philanthropic causes & investor centric initiatives	2,59,77,074	2,59,77,074
Surplus in Statement of Profit and Loss		
Opening Balance	937,11,73,532	760,03,59,327
Add : Profit / (Loss) for the Year	477,87,95,118	415,50,00,107
Less : Appropriations :		
General Reserve	47,78,79,512	41,55,00,011
Capital Redemption Reserve	78,54,000	—
Buy Back of Equity Shares	63,21,13,448	—
Tax on Buyback of Equity Shares	37,65,23,689	—
Interim Equity Dividend Paid	201,31,36,000	164,06,52,000
Tax Paid on Interim Equity Dividend	40,98,27,122	32,80,33,891
	1023,26,34,879	937,11,73,532
Total	1126,05,77,465	1094,64,97,158

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 7,85,400 equity shares during the Year (Previous Year NIL) at an aggregate value of ₹ 309,76,17,600 (Previous Year ₹ NIL). The Company has utilised the Securities Premium Account & Free Reserves for this purpose. A sum of ₹ 78,54,000 (Previous Year ₹ NIL) has been transferred to Capital Redemption Reserve in terms of Section 69(1) of the Act.

Note 4
LONG-TERM PROVISIONS

	As at March 31, 2016 ₹	As at March 31, 2015 ₹
For Contingencies (see note 20.7)	15,00,00,000	15,00,00,000
Total	15,00,00,000	15,00,00,000

Note 5
TRADE PAYABLES

	As at March 31, 2016 ₹	As at March 31, 2015 ₹
Sundry Creditors (see note 20.9)	171,97,91,208	95,09,29,960
Total	171,97,91,208	95,09,29,960

Note 6
OTHER CURRENT LIABILITIES

	As at March 31, 2016 ₹	As at March 31, 2015 ₹
Statutory Dues	6,10,95,082	2,73,96,480
Employee Benefits	59,80,19,695	53,74,14,665
Other Dues	18,60,75,993	25,00,61,830
Income Received in Advance	—	27,98,987
Total	84,51,90,770	81,76,71,962

Note 7
FIXED ASSETS

₹

	GROSS BLOCK			DEPRECIATION / AMORTIZATION			NET BLOCK	
	As at March 31, 2015	Additions	Deductions	As at March 31, 2016	For the Year	Deductions	As at March 31, 2016	As at March 31, 2015
TANGIBLE ASSETS								
Buildings	4,99,57,691	—	—	4,99,57,691	9,99,154	—	55,62,704	4,53,94,141
Improvement of Rented Premises	37,62,07,036	1,83,67,701	1,51,64,082	37,94,10,655	4,34,41,696	1,51,64,082	30,46,51,085	9,98,33,565
Computer Equipment	14,25,47,886	2,39,74,454	1,04,55,712	15,60,66,628	2,01,19,309	1,04,55,712	12,23,66,322	2,98,45,161
Furniture & Fixtures	4,94,31,819	21,13,729	15,15,725	5,00,29,823	53,88,154	15,14,634	3,19,99,395	2,13,05,944
Electrical Installations	67,18,775	—	2,700	67,16,075	9,59,439	2,700	23,81,512	52,94,002
Vehicles	3,24,56,053	1,89,91,403	1,11,65,559	4,02,81,897	80,68,481	1,11,65,559	1,58,05,121	1,35,53,854
Office Equipment	17,30,86,245	93,48,674	73,57,903	17,50,77,016	99,06,831	73,57,903	14,70,63,496	2,85,71,677
Total	83,04,05,505	7,27,95,961	4,56,61,681	85,75,39,785	8,88,83,064	4,56,60,590	62,98,29,635	24,37,98,344
Previous Year	79,33,54,841	6,54,92,184	2,84,41,520	83,04,05,505	8,37,10,598	2,78,51,542	58,66,07,161	24,37,98,344
INTANGIBLE ASSETS								
Goodwill	75,16,53,266	—	—	75,16,53,266	83,34,516	—	68,29,62,910	7,70,24,872
Computer Software	11,41,24,387	1,14,76,580	—	12,56,00,967	1,33,80,229	—	11,03,84,249	1,71,20,367
Total	86,57,77,653	1,14,76,580	—	87,72,54,233	2,17,14,745	—	79,33,47,159	9,41,45,239
Previous Year	76,93,31,402	9,64,46,251	—	86,57,77,653	1,76,80,394	—	77,16,32,414	9,41,45,239

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

	As at March 31, 2016 ₹	As at March 31, 2015 ₹
Investment in Venture Capital Fund		
1,77,753 Units (Previous Year 1,80,716) of ₹ 1,000 each in Faering Capital India Evolving Fund (Class A)	17,77,52,649	18,07,16,332
Investment in Alternative Investment Fund		
45,000 Units (Previous Year NIL) of ₹ 1,000 each in Faering Capital India Evolving Fund II (Class A)	4,50,00,000	—
Investment in Bonds		
61,809 (Previous Year 61,809) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 1,000 each of National Highways Authority of India (NHAI)	6,18,09,000	6,18,09,000
1,63,131 (Previous Year 1,63,131) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 1,000 each of Indian Railways Finance Corporation (IRFC)	16,31,31,000	16,31,31,000
200 (Previous Year 200) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 10,00,000 each of Rural Electrification Corporation Limited (REC)	19,99,83,200	19,99,83,200
Investment in Preference Shares		
NIL (Previous Year 36,52,522) 8.75% Cumulative Redeemable Preference Shares of ₹ 100 each of L&T Finance Holdings Limited	—	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	40,00,00,000	40,00,00,000
30,00,000 (Previous Year NIL) 8.15% Cumulative Redeemable Preference Shares of ₹ 100 each of L&T Finance Holdings Limited	30,00,00,000	—
Investment in Schemes of Mutual Fund		
2,405 Units (Previous Year 2,40,507 of ₹ 10 each) of ₹ 1000 each in HDFC Cash Management Fund - Call Plan - Direct Plan - Growth Option	50,00,000	50,00,000
NIL Units (Previous Year 4,57,277) of ₹ 10 each in HDFC Inflation Indexed Bond Fund - Direct Plan - Growth Option	—	50,00,000
1,77,832 Units (Previous Year 1,77,832) of ₹ 10 each in HDFC Cash Management Fund - Treasury Advantage Plan - Direct Plan - Growth Option	50,00,000	50,00,000
2,22,680 Units (Previous Year 2,22,680) of ₹ 10 each in HDFC Floating Rate Income Fund - Short Term Plan - Direct Plan - Growth Option	50,00,000	50,00,000
4,89,860 Units (Previous Year 4,89,860) of ₹ 10 each in HDFC Arbitrage Fund - Direct Plan - Growth Option	50,00,000	50,00,000

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

	As at March 31, 2016 ₹	As at March 31, 2015 ₹
4,03,421 Units (Previous Year 4,03,421) of ₹ 10 each in HDFC Dynamic PE Ratio Fund of Funds - Direct Plan - Growth Option	50,00,000	50,00,000
5,15,390 Units (Previous Year 5,15,390) of ₹ 10 each in HDFC Gold Fund - Direct Plan - Growth Option	50,00,000	50,00,000
1,71,973 Units (Previous Year 1,71,973) of ₹ 10 each in HDFC Income Fund - Direct Plan - Growth Option	50,00,000	50,00,000
2,00,040 Units (Previous Year 2,00,040) of ₹ 10 each in HDFC Gilt Fund - Long Term Plan - Direct Plan - Growth Option	50,00,000	50,00,000
2,35,156 Units (Previous Year 2,35,156) of ₹ 10 each in HDFC Gilt Fund - Short Term Plan - Direct Plan - Growth Option	50,00,000	50,00,000
1,98,753 Units (Previous Year 1,98,753) of ₹ 10 each in HDFC Short Term Plan - Direct Plan - Growth Option	50,00,000	50,00,000
1,14,714 Units (Previous Year 1,14,714) of ₹ 10 each in HDFC High Interest Fund - Dynamic Plan - Direct Plan - Growth Option	50,00,000	50,00,000
1,93,940 Units (Previous Year 1,93,940) of ₹ 10 each in HDFC High Interest Fund - Short Term Plan - Direct Plan - Growth Option	50,00,000	50,00,000
2,18,498 Units (Previous Year 2,18,498) of ₹ 10 each in HDFC Floating Rate Income Fund - Long Term Plan - Direct Plan - Growth Option	50,00,000	50,00,000
3,53,699 Units (Previous Year 3,53,699) of ₹ 10 each in HDFC Medium Term Opportunities Fund - Direct Plan - Growth Option	50,00,000	50,00,000
3,51,674 Units (Previous Year 3,51,674) of ₹ 10 each in HDFC Short Term Opportunities Fund - Direct Plan - Growth Option	50,00,000	50,00,000
4,82,197 Units (Previous Year 4,82,197) of ₹ 10 each in HDFC Corporate Debt Opportunities Fund - Direct Plan - Growth Option	50,00,000	50,00,000
4,87,087 Units (Previous Year 4,87,087) of ₹ 10 each in HDFC Banking and PSU Debt Fund - Direct Plan - Growth Option	50,00,000	50,00,000
1,55,738 Units (Previous Year 1,55,738) of ₹ 10 each in HDFC Monthly Income Plan - Long Term Plan - Direct Plan - Growth Option	50,00,000	50,00,000
2,14,213 Units (Previous Year 2,14,213) of ₹ 10 each in HDFC Monthly Income Plan - Short Term Plan - Direct Plan - Growth Option	50,00,000	50,00,000
1,97,625 Units (Previous Year 1,97,625) of ₹ 10 each in HDFC Equity Savings Fund - Direct Plan - Growth Option	50,00,000	50,00,000
2,13,400 Units (Previous Year 2,13,400) of ₹ 10 each in HDFC Multiple Yield Fund - Plan 2005 - Direct Plan - Growth Option	50,00,000	50,00,000
1,929 Units (Previous Year 1,92,921 of ₹ 10 each) of ₹ 1,000 each in HDFC Liquid Fund - Direct Plan - Growth Option	50,00,000	50,00,000
1,823 Units (Previous Year 1,82,309 of ₹ 10 each) of ₹ 1,000 each in HDFC Cash Management Fund - Savings Plan - Direct Plan - Growth Option	50,00,000	50,00,000
NIL Units (Previous Year 4,57,076) 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, 2016 ₹	As at March 31, 2015 ₹
2,000 Units (Previous Year 2,000) of ₹ 100 each in HDFC Gold Exchange Traded Fund - Growth Option	54,10,198	54,10,198
NIL Units (Previous Year 2,76,976) of ₹ 10 each in HDFC Quarterly Interval Fund - Plan C - Direct Plan - Growth Option	—	50,00,000
4,16,334 Units (Previous Year 4,16,334) of ₹ 10 each in HDFC Annual Interval Fund Series I - Plan A - Direct Plan - Growth Option	50,00,000	50,00,000
NIL Units (Previous Year 2,56,797) of ₹ 10 each in HDFC Quarterly Interval Fund - Plan A - Direct Plan - Growth Option	—	50,00,000
4,18,022 Units (Previous Year 4,18,022) of ₹ 10 each in HDFC Annual Interval Fund - Series 1 - Plan B - Direct Plan - Growth Option	50,00,000	50,00,000
1,999 Units (Previous Year NIL) of ₹ 2,641.50 each in HDFC Sensex ETF	50,04,716	—
6,574 Units (Previous Year NIL) of ₹ 794.10 each in HDFC Nifty ETF	50,04,458	—
5,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC Retirement Savings Fund - Equity Plan - Direct Plan - Growth Option	50,00,000	—
5,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC Retirement Savings Fund - Hybrid - Equity Plan - Direct Plan - Growth Option	50,00,000	—
5,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC Retirement Savings Fund - Hybrid - Debt Plan - Direct Plan - Growth Option	50,00,000	—
37,760 Units (Previous Year 37,760) of ₹ 10 each in HDFC Growth Fund - Direct Plan - Growth Option	50,00,000	50,00,000
46,206 Units (Previous Year 46,206) of ₹ 10 each in HDFC Balanced Fund - Direct Plan - Growth Option	50,00,000	50,00,000
20,964 Units (Previous Year 20,964) of ₹ 10 each in HDFC Long Term Advantage Fund - Direct Plan - Growth Option	50,00,000	50,00,000
59,544 Units (Previous Year 59,544) of ₹ 10 each in HDFC Children's Gift Fund - Investment Plan - Direct Plan	50,00,000	50,00,000
1,39,087 Units (Previous Year 1,39,087) of ₹ 10 each in HDFC Children's Gift Fund - Savings Plan - Direct Plan	50,00,000	50,00,000
87,149 Units (Previous Year 87,149) of ₹ 10 each in HDFC Core and Satellite Fund - Direct Plan - Growth Option	50,00,000	50,00,000
66,699 Units (Previous Year 66,699) of ₹ 10 each in HDFC Index Fund - Nifty Plan- Direct Plan - Growth Option	50,00,000	50,00,000
13,645 Units (Previous Year 13,645) of ₹ 10 each in HDFC Index Fund - Sensex Plus Plan - Direct Plan - Growth Option	50,00,000	50,00,000
20,835 Units (Previous Year 20,835) of ₹ 10 each in HDFC Index Fund - Sensex Plan - Direct Plan - Growth Option	50,00,000	50,00,000
10,615 Units (Previous Year 10,615) of ₹ 10 each in HDFC Equity Fund - Direct Plan - Growth Option	50,00,000	50,00,000

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

	As at March 31, 2016 ₹	As at March 31, 2015 ₹
14,485 Units (Previous Year 14,485) of ₹ 10 each in HDFC Top 200 Fund - Direct Plan - Growth Option	50,00,000	50,00,000
24,980 Units (Previous Year 24,980) of ₹ 10 each in HDFC Capital Builder Fund - Direct Plan - Growth Option	50,00,000	50,00,000
12,496 Units (Previous Year 12,496) of ₹ 10 each in HDFC Tax Saver - Direct Plan - Growth Option	50,00,000	50,00,000
1,15,808 Units (Previous Year 1,15,808) of ₹ 10 each in HDFC Premier Multi-Cap Fund - Direct Plan - Growth Option	50,00,000	50,00,000
1,35,586 Units (Previous Year 1,35,586) of ₹ 10 each in HDFC Mid-Cap Opportunities Fund - Direct Plan - Growth Option	50,00,000	50,00,000
13,312 Units (Previous Year 13,312) of ₹ 10 each in HDFC Prudence Fund - Direct Plan - Growth Option	50,00,000	50,00,000
3,01,696 Units (Previous Year 3,01,696) of ₹ 10 each in HDFC Infrastructure Fund - Direct Plan - Growth Option	50,00,000	50,00,000
55,339 Units (Previous Year 55,339) of ₹ 10 each in HDFC Large Cap Fund - Direct Plan - Growth Option	50,00,000	50,00,000
1,96,017 Units (Previous Year 1,96,017) of ₹ 10 each in HDFC Small & Mid Cap Fund - Direct Plan - Growth Option	50,00,000	50,00,000
Other Investments		
5,00,000 (Previous Year 5,00,000) fully paid up Equity Shares of ₹ 1 each in MF Utilities India Private Limited	5,00,000	5,00,000
Total Non-Current Investments	159,85,95,221	161,68,01,930
Aggregate of Quoted Investments		
Book Value	45,03,42,572	45,53,33,398
Market Value	47,25,49,197	47,26,46,599
Aggregate of Unquoted Investments		
Book Value	114,82,52,649	116,14,68,532

Note 9**DEFERRED TAX**

	As at March 31, 2016 ₹	As at March 31, 2015 ₹
Deferred Tax Asset	13,97,00,995	13,38,31,039
Deferred Tax Liability	(8,02,315)	(10,29,116)
Total	13,88,98,680	13,28,01,923

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

	As at March 31, 2016 ₹	As at March 31, 2015 ₹
Unsecured, Considered good		
— Capital Advances	1,10,24,326	11,53,524
— Security Deposits	9,50,99,880	9,52,91,981
— Prepaid Expenses	80,41,08,552	149,95,80,781
— Advance Payment of Taxes (Net of Provision)	20,05,99,209	15,69,25,821
Total	111,08,31,967	175,29,52,107

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

	As at March 31, 2016 ₹	As at March 31, 2015 ₹
Investment in Schemes of Mutual Fund (Valued at Cost and Fair Value, whichever is lower)		
NIL Units (Previous Year 14,41,163) of ₹ 10 each in HDFC Cash Management Fund - Treasury Advantage Plan - Direct Plan - Growth Option	—	4,32,00,000
4,79,00,977 Units (Previous Year 8,87,44,848) of ₹ 10 each in HDFC Floating Rate Income Fund - Long Term Plan - Direct Plan - Growth Option	97,87,61,732	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
5,91,50,302 Units (Previous Year 1,50,00,000) of ₹ 10 each in HDFC Corporate Debt Opportunities Fund - Direct Plan - Growth Option	70,00,00,000	15,00,00,000
90,10,325 Units (Previous Year 90,10,325) of ₹ 10 each in HDFC Short Term Plan - Direct Plan - Growth Option	23,99,90,810	23,99,90,810
17,00,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC FMP 1114D March 2016 (1) - Direct Plan - Growth Option	170,00,00,000	—
1,82,14,162 Units (Previous Year NIL) of ₹ 10 each in HDFC Medium Term Opportunities Fund - Direct Plan - Growth Option	30,00,00,000	—
8,00,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC FMP 1107D March 2016 (1) - Direct Option - Growth Option	80,00,00,000	—
16,12,973 Units (Previous Year NIL) of ₹ 10 each in HDFC Dynamic PE Ratio Fund of Funds - Direct Plan - Growth Option	2,25,00,000	—
6,06,993 Units (Previous Year 1,21,56,034) of ₹ 10 each in HDFC Liquid Fund - Direct Plan - Growth Option	181,25,00,423	33,54,76,042
NIL Units (Previous Year 2,10,06,609) 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

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

	As at March 31, 2016 ₹	As at March 31, 2015 ₹
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
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	30,00,00,000	30,00,00,000
1,28,66,142 Units (Previous Year 1,28,66,142) of ₹ 10 each in HDFC FMP 370D January 2014 (1) - Direct Plan - Growth Option	12,86,61,420	12,86,61,420
50,00,000 Units (Previous Year 50,00,000) of ₹ 10 each in HDFC Debt Fund for Cancer Cure 2014 - Direct Plan - Dividend Option	5,00,00,000	5,00,00,000
Total Current Investments	826,01,44,664	488,83,83,990
Less: Provision for Diminution in the value of Investments	8,70,360	—
Net Current Investments	825,92,74,304	488,83,83,990
Aggregate of Investments in Quoted Mutual Funds		
Book Value	327,86,61,420	77,86,61,420
Market Value	327,86,61,420	77,86,61,420
Aggregate of Investments in Unquoted Mutual Funds		
Book Value	498,06,12,884	410,97,22,570

Note 12**TRADE RECEIVABLES**

(Unsecured, Considered good)

	As at March 31, 2016 ₹	As at March 31, 2015 ₹
Investment Management Fee Receivable (less than six months)	35,98,86,276	14,12,27,696
Portfolio Management Fee Receivable		
— Over six months	2,43,470	42,031
— Others	2,55,74,023	2,44,76,778
	2,58,17,493	2,45,18,809
Total	38,57,03,769	16,57,46,505

Note 13**CASH AND BANK BALANCES**

	As at March 31, 2016 ₹	As at March 31, 2015 ₹
Cash and Cash Equivalents		
— Balances with Banks	86,83,795	2,46,34,413
Other Bank Balances		
— In Deposit Account (security against bank guarantee)	11,17,397	10,39,445
Total	98,01,192	2,56,73,858

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

(Unsecured, Considered good)

		As at March 31, 2016	As at March 31, 2015
	₹	₹	₹
Prepaid Expenses			
— Related Parties	57,75,237		53,42,999
— Others	150,72,08,164		216,47,33,989
		151,29,83,401	217,00,76,988
Service Tax Credit Receivable		89,83,821	42,90,712
Other Receivables			
— Related Parties	3,15,17,018		5,72,91,601
— Others	4,18,07,435		25,58,28,947
		7,33,24,453	31,31,20,548
Total		159,52,91,675	248,74,88,248

Note 15**OTHER CURRENT ASSETS**

		As at March 31, 2016	As at March 31, 2015
	₹	₹	₹
Interest accrued on Fixed Deposit		12,509	13,383
Interest accrued on Bonds		1,85,72,726	1,85,00,597
Receivable towards sale of Current Investments		79,86,02,176	—
Portfolio Management Fee Accrued But Not Due		—	169,12,00,956
Total		81,71,87,411	170,97,14,936

Note 16**REVENUE FROM OPERATIONS**

	For the Year ended March 31, 2016 ₹	For the Year ended March 31, 2015 ₹
Investment Management Fee	1209,73,57,123	920,87,91,543
Portfolio Management Fee	232,80,85,318	101,55,92,804
Total	1442,54,42,441	1022,43,84,347

Note 17**OTHER INCOME**

	For the Year ended March 31, 2016 ₹	For the Year ended March 31, 2015 ₹
Dividend Income:		
— From Current Investments	11,28,23,122	7,03,58,437
— From Non-Current Investments	9,19,92,638	7,12,42,768
Interest Income:		
— From Non-Current Investments	3,51,10,946	3,50,38,818
— From Others	14,940	2,28,385
Profit on Sale of Current Investments (net)	23,58,87,380	15,49,35,720
Miscellaneous Income	4,21,43,700	8,65,74,469
Total	51,79,72,726	41,83,78,597

Note 18**EMPLOYEE BENEFITS EXPENSE**

	For the Year ended March 31, 2016 ₹	For the Year ended March 31, 2015 ₹
Salaries, Allowances and Bonus	132,67,51,395	116,53,40,980
Contribution to Provident and Other Funds	8,27,09,767	8,96,97,630
Staff Welfare and Training Expenses	2,24,14,167	2,00,31,419
Total	143,18,75,329	127,50,70,029

Note 19**OTHER EXPENSES**

	For the Year ended March 31, 2016	For the Year ended March 31, 2015
₹	₹	₹
Brokerage / Incentives / Fees / Mutual Fund Expenses	456,62,25,686	173,44,77,686
Business Promotion	37,91,89,319	25,76,04,554
Rent	28,54,00,489	28,84,64,840
Printing and Courier	24,17,93,782	11,10,75,128
Travel and Conveyance	5,75,02,209	4,94,64,976
Communication Expenses	3,53,24,071	3,17,44,416
Subscription and Membership Fees	5,64,91,381	3,29,74,409
Professional and Legal Fees	5,97,76,180	5,47,99,871
Repair and Maintenance	16,15,16,212	14,10,65,814
Electricity Charges	4,86,27,753	4,40,76,896
Outsourced Services Cost	13,29,76,382	11,98,00,968
Insurance Expenses	2,07,09,285	1,92,13,320
Rates and Taxes	14,73,809	20,62,381
Auditors' Remuneration:		
Audit Fee	15,00,000	12,00,000
Audit Fee - PMS Business	47,03,025	34,76,375
Tax Audit Fee	1,00,000	1,00,000
Taxation Matters	6,50,875	11,17,285
Other Services	18,16,352	16,03,229
	87,70,252	74,96,889
Directors' Sitting Fees	1,55,24,000	1,28,40,000
Loss on Foreign Exchange Translation	5,92,127	2,39,237
Provision for Diminution in the Value of Current Investments	8,70,360	—
Donations	12,56,000	2,35,000
Corporate Social Responsibility exp. as per Sec 135 (5) of the Companies Act, 2013 (see note 20.16)	9,02,03,000	7,39,36,000
Miscellaneous Expenses (see note 20.11)	15,42,23,606	5,87,74,216
Total	631,84,45,903	304,03,46,601

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	3,80,48,156	3,32,62,513

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
Change in the Defined Benefit Obligations:		
Liability at the beginning of the Year	13,84,44,765	8,57,61,032
Current Service Cost	1,48,88,774	1,07,62,297
Interest Cost	1,09,64,825	79,84,352
Benefits Paid	(1,01,95,692)	(71,72,890)
Actuarial (Gain) / Loss	2,44,09,110	4,11,09,974
Liability at the end of the Year	17,85,11,782	13,84,44,765

Fair Value of Plan Assets:	Current Year	Previous Year
Fair Value of Plan Assets at the beginning of the Year	8,53,77,969	7,61,09,128
Expected Return on Plan Assets	67,61,935	66,21,494
Contributions	5,30,66,796	96,51,904
Benefits Paid	(1,01,95,692)	(71,72,890)
Actuarial Gain / (Loss) on Plan Assets	21,39,815	1,68,333
Fair Value of Plan Assets at the end of the Year	13,71,50,823	8,53,77,969

Actual Return on Plan Assets:	Current Year	Previous Year
Expected Return on Plan Assets	67,61,935	66,21,494
Actuarial Gain / (Loss) on Plan Assets	21,39,815	1,68,333
Actual Return on Plan Assets	89,01,750	67,89,827

Amount Recognized in the Balance Sheet:	Current Year	Previous Year
Liability at the end of the Year	17,85,11,782	13,84,44,765
Fair Value of Plan Assets at the end of the Year	13,71,50,823	8,53,77,969
Amount recognized in the Balance Sheet as Liability	4,13,60,959	5,30,66,796

Note 20 (Continued)

(Amount in ₹)

Expense Recognized in the Statement of Profit and Loss:	Current Year	Previous Year
Current Service Cost	1,48,88,774	1,07,62,297
Interest Cost	1,09,64,825	79,84,352
Expected Return on Plan Assets	(67,61,935)	(66,21,494)
Net Actuarial (Gain) / Loss to be Recognized	2,22,69,295	4,09,41,641
Expense recognized in the Statement of Profit and Loss under 'Employee Benefits Expenses'	4,13,60,959	5,30,66,796

Reconciliation of the Liability Recognized in the Balance Sheet:	Current Year	Previous Year
Opening Net Liability	5,30,66,796	96,51,904
Expense recognized	4,13,60,959	5,30,66,796
Contribution by the Company	(5,30,66,796)	(96,51,904)
Amount recognized in the Balance Sheet as Liability	4,13,60,959	5,30,66,796

Net Actuarial (Gain) / Loss Recognized	Current Year	Previous Year
Actuarial (Gain) / Loss on Plan Assets	(21,39,815)	(1,68,333)
Actuarial (Gain) / Loss on Defined Benefit Obligation	2,44,09,110	4,11,09,974
Net Actuarial (Gain) / Loss Recognized	2,22,69,295	4,09,41,641

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Liability at the end of the year	17,85,11,782	13,84,44,765	8,57,61,032	7,37,50,037	6,02,98,371
Fair Value of Plan Assets at the end of the year	13,71,50,823	8,53,77,969	7,61,09,128	5,67,02,305	5,03,84,616
Amount recognized in the Balance Sheet as liability	4,13,60,959	5,30,66,796	96,51,904	1,70,47,732	99,13,755
Experience Adjustment:					
(Gains) / Losses on Plan Liabilities	1,65,23,496	53,82,763	81,53,498	44,47,641	56,96,464
(Gains) / Losses on Plan Assets	(21,39,815)	(1,68,333)	(7,50,540)	(4,83,657)	(28,83,780)
Estimated Contribution for next year	2,60,47,685	2,29,69,646	2,06,94,977	1,87,99,305	1,66,85,170

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:

Particulars	Current Year	Previous Year
Discount Rate	7.98% p.a.	7.92% p.a.
Return on Plan Assets	7.98% p.a.	7.92% p.a.
Compensation Escalation Rate	5.00% p.a.	5.00% p.a.
Average Age	34.51 Years	34.49 Years
Mortality Basis	Indian Assured Lives Mortality (2006-08) Ultimate	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
Segment Revenue						
Management Fees	1209,73,57,123	920,87,91,543	232,80,85,318	101,55,92,804	1442,54,42,441	1022,43,84,347
Inter Segment Revenue	—	—	—	—	—	—
Total Segment Revenue	1209,73,57,123	920,87,91,543	232,80,85,318	101,55,92,804	1442,54,42,441	1022,43,84,347
Identifiable Operating Expenses	580,29,57,937	313,97,93,015	127,01,00,704	56,84,22,594	707,30,58,641	370,82,15,609
Segmental Operating Income	629,43,99,186	606,89,98,528	105,79,84,614	44,71,70,210	735,23,83,800	651,61,68,738
Unallocable Expenses					78,78,60,400	70,85,92,013
Operating Income					656,45,23,400	580,75,76,725
Other Income					51,79,72,726	41,83,78,597
Net Profit Before Tax					708,24,96,126	622,59,55,322
Provision For Income Tax					230,97,97,910	207,54,66,003
Deferred Tax Expense					(60,96,757)	(46,98,870)
Previous Year’s Tax					(145)	1,88,082
Net Profit After Tax					477,87,95,118	415,50,00,107
Segment Assets and Liabilities						
Segment Assets	262,59,14,816	406,77,77,821	8,65,09,413	171,57,43,096	271,24,24,229	578,35,20,917
Unallocated Assets					1151,47,77,214	733,39,86,163
Total Assets					1422,72,01,443	1311,75,07,080
Segment Liabilities	107,35,57,018	120,07,44,378	6,81,26,547	42,27,50,567	114,16,83,565	162,34,94,945
Unallocated Liabilities					157,32,98,413	29,51,06,977
Total Liabilities					271,49,81,978	191,86,01,922
Capital Expenditure	—	—	—	—	8,42,72,541	16,19,38,435
Depreciation	—	—	—	—	11,05,97,809	10,13,90,992

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
HDFC Realty 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^
INCOME			
Management Fees	— —	55,84,016 (50,83,167)	— —
EXPENDITURE			
Rent	11,72,14,992 (10,02,69,492)	— —	— —
Advisory Fee	2,86,58,729 (5,97,74,010)	— —	— —
Technology Support Cost	1,55,77,534 (1,43,55,128)	— —	— —
Administrative & Other Expenses	4,10,55,317 (2,94,49,494)	— —	— —
Insurance Premium	— —	— —	83,36,361 (85,55,073)
Brokerage Charges	— —	— —	90,000 —
Performance Fee	108,27,77,095 (34,85,26,304)	— —	— —

Reimbursement of expenses amounting to ₹ **15,00,000** received (Previous Year ₹ 84,666 paid) from / to the Holding Company respectively is not considered above.

Note 20 (Continued)

(Amount in ₹)

Particulars	Holding Company	Investing Party	Fellow Subsidiaries^
ASSETS			
Account Receivable	—	10,73,178	3,15,45,874
	—	(16,52,453)	(5,73,28,039)
Prepaid Insurance Premium	—	—	57,75,237
	—	—	(53,42,999)
LIABILITIES			
Account Payable	109,25,77,095	—	90,000
	(35,26,83,147)	—	—
OTHER TRANSACTIONS			
Purchase of Fixed Assets	30,15,000	—	—
	(6,00,000)	—	—
Interim Equity Dividend Paid	120,77,28,000	80,51,52,000	—
	(98,12,79,000)	(65,41,86,000)	—

^Details of transactions with fellow subsidiaries are as follows:

(Amount in ₹)

Particulars	HDFC Realty Limited	HDFC Trustee Company Limited	HDFC Standard Life Insurance Company Limited	HDFC ERGO General Insurance Company Limited
Insurance Premium		—	27,68,888	55,67,473
		—	(18,55,011)	(67,00,062)
Brokerage Charges	90,000	—	—	—
	—	—	—	—
Account Receivable*		3,15,17,018	28,856	—
		(5,72,91,601)	(36,438)	—
Prepaid Insurance Premium		—	30,369	57,44,868
		—	(20,458)	(53,22,541)
Account Payable	90,000	—	—	—
	—	—	—	—

*Includes an amount of ₹ Nil (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	6,25,42,495	6,53,45,008

The above remuneration excludes perquisite value of ₹ **19,96,50,000** (Previous Year ₹ Nil) towards the value of stock options exercised during the year which were granted under Employees Stock Option Scheme 2012.

Note 20 (Continued)**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 ₹ **1,39,90,200** (Previous Year ₹ 1,53,57,043).

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

(Amount in ₹)

Particulars	Current Year	Previous Year
Not later than one year	1,44,97,612	1,29,45,203
Later than one year but not later than five years	2,18,65,777	2,61,26,189

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 ₹ **477,87,95,118** (Previous Year ₹ 415,50,00,107) and **2,52,70,444** (Previous Year 2,52,40,800) 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	10.00	10.00
Basic earnings per share	189.11	164.61
Effect of potential equity shares for stock options (per share)	(0.64)	(2.12)
Diluted earnings per share	188.47	162.49

- (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 sum of 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	2,52,70,444	2,52,40,800
Effect of potential equity shares for stock options outstanding	85,169	3,29,975
Weighted average number of equity shares used in computing diluted earnings per equity share	2,53,55,613	2,55,70,775

Note 20 (Continued)**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 ₹ **60,96,757** (Previous Year ₹ 46,98,870) 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, 2015	For the Year	As on March 31, 2016
Assets			
Depreciation	8,14,67,404	38,60,644	8,53,28,048
Provision for Contingencies	5,19,12,000	—	5,19,12,000
Others	4,51,635	20,09,312	24,60,947
Total	13,38,31,039	58,69,956	13,97,00,995
Liabilities			
Others	10,29,116	(2,26,801)	8,02,315
Net Deferred Tax Asset	13,28,01,923	60,96,757	13,88,98,680

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 open matters with the regulators & claims, if any, with regards to the PMS business. Movement in Provision for Contingencies account during the year is as under:

(Amount in ₹)

Carrying Amount as at April 1, 2015	Additions during the year	Amounts used during the year	Amounts reversed during the year	Carrying Amount as at March 31, 2016
15,00,00,000	—	—	—	15,00,00,000

20.8 Contingent Liabilities and Commitments

- Disputed Income Tax demand ₹ **26,55,623** (Previous Year ₹ 26,55,623).
- Claims against the Company not acknowledged as debts estimated to be ₹ **34,59,941** (Previous Year ₹ Nil).
- Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ **27,02,60,325** (Previous Year ₹ 1,63,01,228).

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.

Note 20 (Continued)

(Amount in ₹)

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

20.10 Accounting for Employee Share Based Payments

Under Employees Stock Option Scheme 2015 (ESOS 2015), the Company had on 10th December 2015 granted 10,00,000 stock options at an exercise price of ₹ 3,944/- per option, representing 10,00,000 equity shares of ₹ 10/- each to few employees & 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 Nomination & Remuneration Committee i.e. based on the Price Earning Multiple method and the Assets Under Management (AUM) method. In terms of ESOS 2015, the options vest over a period of 1-2 years from the date of grant. Accordingly, during the year Nil options under ESOS 2015 (Previous Year Nil) vested. The options can be exercised over a period of three years from the date of vesting.

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

In terms of ESOS 2013 - Series I, the options vest over a period of 1-2 years from the date of grant. Accordingly, during the year Nil options under ESOS 2013 - Series I (Previous Year 22,000) vested. The options can be exercised over a period of five years from the date of vesting.

Under Employees Stock Option Scheme 2012 - Series I (ESOS 2012 - Series I) and Employees Stock Option Scheme 2012 - Series II (ESOS 2012 - Series II), the Company had on 14th 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 Nil) vested and 42,500 options under ESOS 2012 - Series II (Previous Year 45,000) vested [including Nil options under ESOS 2012 - Series II (Previous Year 2,500) 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 25th August 2009 granted 1,54,000 stock options at an exercise price of ₹ 527/- per option, representing 1,54,000 equity

Note 20 (Continued)

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 10th 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, ESOS 2013 - Series I and ESOS 2015 were granted at the fair value of the underlying equity shares of the Company.

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	49,000	5,000
Granted during the year	Nil	Nil	Nil	Nil	Nil	Nil
Exercised during the year	Nil	46,300	5,000	Nil	Nil	Nil
Lapsed during the year	Nil	Nil	Nil	Nil	Nil	Nil
Outstanding at the end of the year	Nil	2,700	Nil	Nil	49,000	5,000
Exercisable at the end of the year	Nil	2,700	Nil	Nil	49,000	5,000

Note 20 (Continued)**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	7,26,000	85,000	22,000	7,34,000	90,000	22,000
Granted during the year	Nil	Nil	Nil	Nil	Nil	Nil
Exercised during the year	5,59,500	85,000	13,000	Nil	Nil	Nil
Lapsed during the year	Nil	Nil	Nil	8,000	5,000	Nil
Outstanding at the end of the year	1,66,500	Nil	9,000	7,26,000	85,000	22,000
Exercisable at the end of the year	1,66,500	Nil	9,000	7,26,000	42,500	22,000

Movement in the options under ESOS 2015:

	No. of Options	
	Current Year	Previous Year
	ESOS 2015	ESOS 2015
Outstanding at the beginning of the year	Nil	Nil
Granted during the year	10,00,000	Nil
Exercised during the year	Nil	Nil
Lapsed during the year	Nil	Nil
Outstanding at the end of the year	10,00,000	Nil
Exercisable at the end of the year	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, ESOS 2013 - Series I and ESOS 2015 as on the date of grant were:

Particulars	ESOS 2008 - Series I	ESOS 2008 - Series II	ESOS 2009 - Series I
Date of grant	10th March 2008	10th March 2008	25th 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	14th September 2012	14th September 2012	26th 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/-

Particulars	ESOS 2015
Date of grant	10th December 2015
Risk-free interest rate	7.18% p.a.
Expected average life	2.5 years
Expected volatility	0%
Dividend yield	1.77% p.a.
Fair value of the option	₹ 478/-

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 25th 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 25th 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/-

Note 20 (Continued)

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:

(Amount in ₹)

Particulars	Current Year	Previous Year
Net Profit (as reported)	477,87,95,118	415,50,00,107
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 ₹ 15,08,57,683 ; Previous Year ₹ 1,42,77,910) (pro forma)	9,86,48,856	94,24,849
Net Profit (pro forma)	468,01,46,262	414,55,75,258

(Amount in ₹)

Particulars	Current Year	Previous Year
Basic earning per share (as reported)	189.11	164.61
Basic earning per share (pro forma)	185.20	164.24
Diluted earning per share (as reported)	188.47	162.49
Diluted earning per share (pro forma)	184.59	162.13

20.11 In connection with the matter of front running of trades by a former equities dealer of the Company and the consent terms filed by the Company therein, SEBI directed the Company to pay an amount of ₹ 6,96,93,914 to the unit holders of the relevant schemes of HDFC Mutual Fund and the Company's Portfolio Management Services clients towards the estimated losses incurred by them. Of the above amount, the Company had deposited an amount of ₹ 2,58,62,200 with HDFC Trustee Company Limited in earlier years and the balance amount of ₹ 4,38,31,714 was deposited in the current year. The entire amount of ₹ 6,96,93,914 has been charged to the Statement of Profit and Loss during the year under miscellaneous expenses.

20.12 Till 31st March 2015, the advance trail commission paid to the distributors was being recovered from the schemes over the period for which it was paid. With effect from 1st April 2015, it is being amortised in the books of the Company. Consequently, the management fees and brokerage cost for the year are higher by ₹ 185,69,19,285 & ₹ 193,08,02,831 respectively.

20.13 The Company was entitled to performance Linked Fees under HDFC AMC PMS - REAL ESTATE PORTFOLIO - I. The Company was also liable to pay a part of it to the Advisors. Upon the closure of the said product in the current year, the income of ₹ **216,55,54,189** (Previous Year ₹ 69,70,52,608) as well as the corresponding expenditure of ₹ **108,27,77,095** (Previous Year ₹ 34,85,26,304) have been accounted on actual basis.

20.14 Income in Foreign Currency

(Amount in ₹)

Particulars	Current Year	Previous Year
Investment Advisory Fee	87,55,733	89,19,300
Interest Income	14,940	15,448

Note 20 (Continued)**20.15 Payments in Foreign Currency****A) Expenditure**

(Amount in ₹)

Particulars	Current Year	Previous Year
i) Travelling Expenses	9,27,292	2,96,558
ii) Overseas Representative Office Expenses	1,54,47,761	1,28,92,317
iii) Business Promotion	6,10,56,816	4,93,77,150

B) Dividend

(Amount in ₹)

Particulars	Current Year	Previous Year
Interim Dividend on Equity Shares:		
(a) Year to which the dividend relates	2015-16	2014-15
(b) Number of non-resident shareholders	1	1
(c) Number of Shares held	1,00,64,400	1,00,64,400
(d) Amount Remitted (Gross)	80,51,52,000	65,41,86,000

20.16 The gross amount required to be spent by the Company during the year towards Corporate Social Responsibility as per Sec 135 (5) of the Companies Act, 2013 was ₹ **10,07,52,725** (Previous Year ₹ 8,43,28,166). Out of the same, an amount of ₹ **9,02,03,000** was spent during the year (Previous Year ₹ 7,39,36,000) on purposes other than construction / acquisition of any asset.

20.17 Comparatives Figures

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

As per our report attached of even date For and on behalf of the Board

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

Chetan Desai
Partner
Membership No. 17000

MUMBAI
April 19, 2016

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)

Directors

Keki Mistry
(DIN: 00008886)

James Aird
(DIN: 01057384)

Deepak B. Phatak
(DIN: 00046205)

Vijay Merchant
(DIN: 01773227)

Renu S. Karnad
(DIN: 00008064)

P. M. Thampi
(DIN: 00114522)

Rajeshwar Raj Bajaaj
(DIN: 00419623)

Humayun Dhanrajgir
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Hoshang S. Billimoria
(DIN: 00005003)