

HDFC Asset Management Company Limited

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

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

M/s BSR & 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 Nineteenth Annual Report together with the Audited Accounts of the Company for the financial year ended March 31, 2018.

Financial Performance

The financial performance of the Company for the financial year ended March 31, 2018 is summarized as below:

Financial Results

Particulars	For the year ended March 31, 2018 (₹ in Crore)	For the year ended March 31, 2017 (₹ in Crore)
Profit before Tax	1,062.52	799.80
Provision for Tax (Net of Deferred Tax)	340.90	249.55
Profit after Tax	721.62	550.25
Balance brought forward from previous year	1,239.81	1,023.26
Profit available for appropriation	1,961.43	1,573.51
General Reserve	72.16	55.02
Capital Redemption Reserve	—	—
Buy-back of Equity Shares	—	—
Tax on Buyback of Equity Shares	—	—
Interim Equity Dividend Paid	336.89	231.54
Tax on Interim Equity Dividend Paid	68.58	47.14
Proposed Equity Dividend	—	—
Tax on Proposed Equity Dividend	—	—
Balance carried to Balance Sheet	1,483.80	1,239.81

For the year ended March 31, 2018, your Company posted a net profit of ₹ 721.62 crores as against ₹ 550.25 crores in the previous year. Appropriations from the net profit have been effected as per the summary given above.

Your Company did not have any subsidiary or an associate company or a joint venture company during the year 2017-18.

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 2017-18 and the date of this Report.

Dividend

Your Directors had declared and paid an interim dividend during the financial year ended March 31, 2018 of ₹ 16/- per equity share (320%) of face value of ₹ 5/- each in the month of March 2018 involving a total outflow of ₹ 405.47 crores (including dividend distribution tax of ₹ 68.58 crores) and the same is recommended to be declared as final dividend for the financial year ended March 31, 2018. An interim

dividend of ₹ 92 /- (920%) per equity share of face value of ₹ 10/- each was declared and paid to its shareholders for previous financial year 2016-17.

Transfer to General Reserves

A sum of ₹ 72.16 crores has been transferred to the General Reserves of the Company.

Capital Structure

During the year, your Company issued and allotted 11,52,500 equity shares of ₹ 10/- each of the Company to eligible employees on exercise of options granted under Employee Stock Option Schemes of the Company.

The authorised share capital of the Company was increased from ₹ 80 crores divided into 3 crores equity shares of ₹ 10/- each and 5 crores preference shares of ₹ 10/- each to ₹ 350 crores divided into 30 crores equity shares of ₹ 10/- each and 5 crores preference shares of ₹ 10/- each by creating additional 27 crores equity shares of ₹ 10/- each. Your Board of Directors recommended issue of Bonus shares in the ratio of 3:1 i.e 3 new equity shares for every one equity share held and sub-division of equity shares of ₹ 10/- each into two equity shares of ₹ 5/- each which was approved by the Shareholders at an extra-ordinary general meeting held on February 6, 2018. Accordingly, bonus shares were allotted to the members who held the equity shares on the Record Date i.e., February 5, 2018 by capitalization of balance in the free reserves amounting to ₹ 78.96 crores. Further, the equity shares of face value of ₹ 10/- each were sub-divided into two equity shares of face value of ₹ 5/- each by way of corporate action to the shareholders who held

the shares on the Record Date i.e., February 13, 2018.

Consequently the issued, subscribed and paid-up equity share capital has increased from ₹ 26.31 crores divided into 2,63,19,400 equity shares of ₹ 10/- each to ₹ 1,05,27,76,000/- divided into 21,05,55,200 equity shares of ₹ 5/- each.

At the end of the year, the issued, subscribed and paid – up capital of your Company stood at ₹ 1,05,27,76,000/- comprising of 21,05,55,200 equity shares of ₹ 5/- each.

Your Board of Directors at its meeting held on March 8, 2018 have accorded in-principle approval for issue of up to 16,00,000 equity shares of face value of ₹ 5/- each of the Company for cash consideration aggregating up to ₹ 210 crores by way of a private placement in accordance with the provisions of Sections 23, 42 and 62(1)(c) of the Companies Act, 2013 read with Rule 13 of the Companies (Share Capital and Debentures) Rules, 2014.

Initial Public Offering

During the year under review, the Board of Directors of your Company approved taking steps to initiate the process for an Initial Public Offering (IPO) of the Company by way of an offer for sale by Housing Development Finance Corporation Limited (HDFC Ltd) and Standard Life Investments Limited (SLI) in one or more tranches such that the post dilution shareholding of HDFC Ltd is at 50.01% and SLI at 24.99%. This is subject to relevant regulatory and other approvals, as applicable.

Accordingly, your Company has filed Draft Red Herring Prospectus with Securities and Exchange Board of India on March 15, 2018. The

Company is presently awaiting / will require approvals from SEBI and other regulatory authorities.

Alteration of Articles of Association

During the year, the shareholders at their meeting held on March 9, 2018 adopted a new set of Articles of Association (comprising of “Part A” and “Part B”) pursuant to the proposed Initial Public Offering. Up to the date of listing of the Company's equity shares on a recognized stock exchange in India, Part A shall prevail over Part B in the event of any inconsistency, contradiction, conflict or overlap between Part A and Part B (subject to applicable laws), and Part A shall automatically terminate and cease to have any force and effect on and from the date of listing of the Company's equity shares on a recognized stock exchange in India, without requiring any further action by the Company or its shareholders.

Review of Operations

Your Directors are pleased to report that:

The Average Assets under Management (AAuM) of HDFC Mutual Fund (HDFC MF) during the financial year 2017-18 were ₹ 2,78,016.87 crore as against an AAuM of ₹ 2,16,151.01 crore during the financial year 2016-2017, representing an increase of over 28%. HDFC MF ranks as one of the largest fund houses in India.

The total number of accounts managed by HDFC MF is around 80.96 lakh as on March 31, 2018. Your Company has established a strong and wide network of Investor Service Centres (ISCs) rendering services to its unit holders located at various locations across the country. As on March 31, 2018,

your Company has 210 ISCs. ISCs of Computer Age Management Services Pvt. Ltd. (CAMS), the Registrar and Transfer Agent of HDFC MF, are Official Points of Acceptance for transactions of HDFC MF Schemes. These offices (237 as on March 31, 2018) supplement the investor-servicing network of your Company. With these offices, your Company services investors in approximately 200 cities pan India.

Your Company provides Discretionary and Non-Discretionary Portfolio Management services 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, 2018, the aggregate assets under investment management / advisory services under Portfolio Management Services were at ₹ 1,844 crore.

Your Company has successfully undertaken Investment and Advisory services mandates during the financial year 2017-18 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. As on March 31, 2018, the aggregate assets under investment management / advisory services under this was ₹ 5099 crore.

New Scheme Launched Under HDFC Mutual Fund

In order to offer more investment options to investors, the following Schemes were launched under HDFC MF during financial year 2017-18:

HDFC Equity Opportunities Fund – Series II (Two Plans)

The two plans of the close-ended

equity scheme with maturity of over 3 years were launched in the months of May and June of 2018. The plans follow a strategy to benefit from the overall economic recovery by investing in a diversified portfolio of equity stocks, while also taking exposure to NIFTY 50 put options to limit downside, if any, from the equity markets.

The two plan mobilized assets of ₹ 1,134 crores and ₹ 721 crores respectively, in the NFO.

HDFC Housing Opportunities Fund – Series I

In the month of November 2018, HDFC Housing Opportunities Fund – Series 1 (1140 days) was launched, a first of its kind close-ended thematic equity scheme, focusing on equities of companies in housing and its allied business activities. The fund invests a minimum of 80% in equities and upto 20% in debt and money market instruments.

The fund aims to benefit from the expected growth in housing and allied businesses owing to the government push towards affordable housing that is likely to impact a host of sectors / industries thereby providing an investment opportunity. The NFO mobilized assets of ₹ 3,389 crores.

In addition to the above, HDFC MF has launched various Schemes under Fixed Maturity Plans Series 38 and Series 39.

HDFC MF did not launch any open ended mutual fund during the year the focus was on growing the existing funds. HDFC MF would continue to be selective when it comes to launching of new fund offerings.

As at March 31, 2018, HDFC MF offered 133 schemes across asset classes to meet the varying investment needs of investors.

Change in fundamental attributes and Merger

During the year, the two plans under HDFC Children's Gift Fund – Investment Plan (equity oriented) and Savings Plan (debt oriented) were merged. The rationale for the merger has been the lack of investor interest in the Savings Plan since its inception.

Awards and Accolades

Your Directors are pleased to inform that the Schemes / Fund Managers of HDFC MF received the following awards during the year 2017-18:

- HDFC Small Cap Fund ad (Potential comes in all sizes) has won a Gold in the Banking and Finance category at Magzimize Awards;
- HDFC Short Term Opportunities Fund has won the award in the Short-Term Bond Fund category - Morningstar Fund Awards 2018;
- HDFC Mutual Fund has been adjudged Winner in the Equity Fund House Category - 2017 in the Outlook Money Awards 2017;
- HDFC Balanced Fund has won Thomson Reuters Lipper India 2017 Fund Awards;
- Mr. Chirag Setalvad has been chosen in the 10 Best Fund Managers 2017 - ET Wealth & Morningstar ranking;
- Mr. Anil Bamboli has been bestowed "Business Standard Awards 2016: Best Fund Manager - Debt".

Directors and Key Managerial Personnel

Directors

During the year, Mr. Milind Barve was re-appointed as Managing Director of the Company, not liable to retire by rotation, for a period of 3 (three) years

commencing from November 1, 2017 up to October 31, 2020.

In accordance with the Companies Act, 2013 and the Articles of Association of the Company, Mr. James Aird and Mr. Keki Mistry, 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.

During the year, Dr. Deepak Phatak, Director, attracted disqualification under Section 164 (2) in respect of directorship held in another company. The said company has rectified the default by availing the benefit under Condonation of Delay Scheme – 2018 by Ministry of Corporate Affairs. Accordingly, none of the Directors of the Company are disqualified for being appointed as directors as specified in Section 164 of the Companies Act, 2013.

Key Managerial Personnel

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 the 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 Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force) and shareholders' approval at 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 Bajaj
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 Bajaj 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 criteria for evaluation of the performance of Directors, Chairman of the Company, the Board and its Committees. As a part of this evaluation exercise, views/feedback was sought from Directors through a structured questionnaire. Each Board member evaluated various aspects of Board's structure, understanding of roles and responsibilities, Board's functioning, quality and transparency of Board's discussion, performance of Committee Members and Directors and quality/timeliness of information flow to the Board. Peer assessment of Directors also formed part of the questionnaire. The responses received from the Directors were reviewed at a meeting of Independent Directors, Nomination & Remuneration Committee and the Board, in compliance with the requirements of the Companies Act, 2013. The Directors were satisfied with the evaluation results, which reflected the overall engagement of the Board and its Committees with the Management of the Company and the process/flow of information was found satisfactory. There were no material adverse observations or conclusion, consequent to such evaluation and review.

Corporate Governance:

Board Meetings

During the financial year 2017-18, 10 (ten) meetings of the Board of Directors of your Company were held on April 28, 2017; May 26, 2017; July 21, 2017; August 11, 2017; October 13, 2017; November 30, 2017; January 19, 2018; February 5, 2018; February 28, 2018 and March 8, 2018.

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 2017-18 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	9
2	Mr. Norman Keith Skeoch	Non-Executive Director	5
3	Mr. James Aird	Non-Executive Director	5
4	Ms. Renu Sud Karnad	Non-Executive Director	10
5	Mr. Keki Mistry	Non-Executive Director	10
6	Mr. Humayun Dhanrajgir	Independent Director	8
7	Mr. Hoshang Billimoria	Independent Director	8
8	Mr. P. M. Thampi	Independent Director	6
9	Dr. Deepak B. Phatak	Independent Director	7
10	Mr. Vijay Merchant	Independent Director	10
11	Mr. Rajeshwar R. Bajaj	Independent Director	9
12	Mr. Milind Barve	Managing Director	10

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 5 (five) times during the financial year 2017-18 on April 28, 2017; May 26, 2017; July 21, 2017; October 13, 2017 and January 17, 2018. The terms of reference of the Committee were also modified during the year.

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 2017-18 is detailed below:

Sr. No.	Name of the Director	Meeting details	
		Held	Attended
1	Mr. Hoshang Billimoria (Chairman)	5	5
2	Mr. Humayun Dhanrajgir	5	3
3	Mr. James Aird	5	2
4	Mr. Keki Mistry	5	5
5	Mr. P. M. Thampi	5	5
6	Mr. Vijay Merchant*	5	0

* Mr. Vijay Merchant was inducted as a member of the Committee with effect from February 28, 2018.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee comprises of following

members – Mr. P. M. Thampi (Chairman), Mr. Hoshang Billimoria, Mr. Humayun Dhanrajgir and Mr. Vijay Merchant. The Company Secretary acts as the secretary to the Committee. The Committee met 5 (five) times during the financial year 2017-18 on April 13, 2017; June 20, 2017; July 28, 2017; October 13, 2017 and January 17, 2018. The terms of reference of the Committee were also modified during the year.

The details of the meetings held and attended by the members of the Committee during the financial year 2017-18 is detailed below:

Sr. No.	Name of the Director	Meeting details	
		Held	Attended
1	Mr. P.M. Thampi (Chairman)	5	5
2	Mr. Hoshang Billimoria	5	4
3	Mr. Humayun Dhanrajgir	5	3
4	Mr. Vijay Merchant*	5	2

* Mr. Vijay Merchant was inducted as a member of the Committee with effect from July 21, 2017.

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 did not meet during the financial year 2017-18. The matters were considered by the Committee by way of circular resolutions during the year.

Stakeholders Relationship Committee (erstwhile Customer Services Committee)

During the year, your Board approved change in nomenclature of the

Customer Services Committee to Stakeholders Relationship Committee with effect from February 28, 2018 and also revised its terms of reference. As on March 31, 2018, the Committee comprises of following members – Ms. Renu Karnad (Chairman), Mr. Deepak Parekh, Mr. James Aird, Mr. Humayun Dhanrajgir, Mr. P M Thampi, Mr. Rajeshwar R. Bajaaj, Dr. Deepak Phatak and Mr. Vijay Merchant.

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 2017-18 without the attendance of Non-Independent Directors and members of the Management.

Nomination & Remuneration Policy

In terms of the requirements under Companies Act, 2013, your Company has put in place a Nomination & Remuneration Policy, 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. 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 Nomination & Remuneration Policy of your Company.

Issue of Employee Stock Options

In line with the practice of incentivising the employees through issue of stock options, the Company has in the past granted stock options to the employees under the various

employee stock option schemes formulated from time to time.

Your Company has formulated 2 series of Employee Stock Option Schemes (ESOS) under ESOS 2017 during the year for the purpose of administering the issue of stock options to the eligible Employees of the Company. In line with the disclosure requirements under the Companies Act 2013, the various components of the Schemes, including options granted during the financial year 2017-18, are set out in **Annexure II** to this report. No employee was issued stock option, during the year equal to or exceeding 1% of the issued capital of the 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

In terms of Section 139 of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014, M/s. B S R & Co. LLP, Chartered Accountants (ICAI FRN: 101248W/W-100022) were appointed as the Statutory Auditors of your Company for a period of 5 continuous years i.e from the conclusion of 18th Annual General Meeting till the conclusion of 23rd Annual General Meeting, subject to ratification by the members at every Annual General Meeting of the Company.

Accordingly, the appointment of M/s. B S R & Co. LLP, Chartered Accountants, as Statutory Auditors of the Company for the financial year 2018-19, is placed for ratification by the members of the Company at the 19th Annual General Meeting. In this regard, the Company has received a

confirmation from Statutory Auditor regarding their eligibility.

The Audit Committee and the Board of Directors recommend the ratification of appointment of M/s B S R & Co. LLP, Chartered Accountants, as the Auditors of your Company.

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 for the financial year 2017-18. 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. B S R & Co. LLP and Secretarial Auditor of the Company, M/s. Bhandari & Associates, in their audit reports.

The aforesaid Auditors of the Company have not reported any fraud as specified under Section 143(12) of the Companies Act, 2013.

Internal Auditors

M/s Deloitte Touche Tohmatsu India LLP, Chartered Accountants were appointed as Internal Auditors of your Company for the financial year 2017-18.

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 in the operational areas of the business and minimize their impact on your Company. The framework is designed to identify risks, assess their likely impact, ensure the review of mitigation measures and requires reporting on a regular basis. The Audit Committee of your Company at its meetings periodically reviews the progress and functioning of the ERM.

The primary business of your Company is to manage the schemes of the HDFC MF which requires specialized expertise in investment management. Since this is a very crucial aspect which has an extremely significant bearing on the performance of your Company, a risk management committee is in place to oversee the risks associated with this function. This Committee reviews the progress of risk management practices pertaining to the Mutual Fund.

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 the 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 the Company.

The Corporate Social Responsibility Committee comprises 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 review and monitor from time to time all the CSR activities being undertaken by the 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 the Company are available on the Company's website.

Particulars of Contracts or Arrangements With Related Party

During the year 2017-18, 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.

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

The details of related party disclosures form part of the notes to the financial statements provided in this annual report.

Particulars of Loans, Guarantees or Investments

Details of loans, guarantees and investments covered under the provisions of Section 186 of the Companies Act, 2013 are provided in the notes to financial statements.

Deposits

During the year 2017-18, 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, 2018 is appended as **Annexure V**.

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

The information pertaining 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 stated as below:

(a) Conservation of energy and technology absorption –

Your Company is in financial services industry and does not consume high levels of energy. However, regular efforts are made to adopt appropriate energy conservation measures and technology absorption methods.

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

- Foreign exchange (earnings): ₹ 14.09 crores (previous year: ₹ 45.23 crores)

- Foreign exchange (expenditure): ₹ 145.61 crores (previous year: ₹ 102.01 crores) (including Equity Dividend)

Particulars of Employees

As on March 31, 2018, your Company has 995 employees and for the previous year, your Company had 819 employees.

Directors' Responsibility Statement

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

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

(ii) Accounting policies selected were applied consistently. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of March 31, 2018 and of the profit of the Company for year ended on that date;

(iii) Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;

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

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

Your Company is in compliance with the provisions of the applicable secretarial standards.

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 Committees (IC) 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, IC Members' details and the Penal consequences of violating the Act/ policy are displayed at all offices and on the Intranet. Compliance to the provisions of this Act has been made a 'Term of Employment / Engagement'. The IC 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 IC 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 the company and its operations in future.

Acknowledgements

The Directors acknowledge the valuable assistance, support and guidance given by the Securities and Exchange Board of India, Association of Mutual Funds of India, Reserve Bank of India, bankers, distributors, key partners, Investor Service Centres and other service providers. The Directors would like to convey their gratitude to Housing Development Finance Corporation Limited and Standard Life Investments Limited and look forward to their continued support.

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

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

On behalf of the Board of Directors

DEEPAK S. PAREKH

Chairman
(DIN: 00009078)

MUMBAI

April 16, 2018

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.
- 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 KMP and Senior Management may be retained in the same position / remuneration or otherwise even after attaining the retirement age for the benefit of the Company in accordance with the prevailing policy 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 be 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.

This Policy is updated on April 28, 2017.

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(s) including Options granted during the FY 2017-18, are as below:

Particulars	Employee Stock Option Scheme 2012 – Series I	Employee Stock Option Scheme 2013 – Series I	Employee Stock Option Scheme 2015 – Series I	Employee Stock Option Scheme 2015 – Series II	Employee Stock Option Scheme 2015 – Series III	Employee Stock Option Scheme 2017 – Series I	Employee Stock Option Scheme 2017 – Series II
Options granted	–	–	–	–	–	1,58,875	6,000
Options vested	–	–	–	–	14,000	–	–
Options exercised	1,64,500	9,000	9,72,000	7,000	–	–	–
The total number of shares arising as a result of exercise of options	1,64,500	9,000	9,72,000	7,000	–	–	–
Options lapsed	–	–	–	–	–	1,150	–
The exercise price	₹ 2129/-	₹ 2496/-	₹ 3,944/-	₹ 4,078/-	₹ 4,721/-	₹ 5,353/-	₹ 7,936/-
Variation of terms of options	–	–	–	–	–	–	–
Money realised by exercise of options	₹ 35,02,20,500	₹ 2,24,64,000	₹ 3,83,35,68,000	₹ 2,85,46,000	–	–	–
Total number of options in force	–	–	–	80,000*	1,12,000*	12,61,800*	48,000*
Employee wise details of options granted to (including percentage to total grant)-							
(i) Key managerial personnel	–	–	–	–	–	Mr. Milind Barve (Managing Director) -6,250 options (3.93%) # Mr. Piyush. Surana (Chief Financial Officer) - 900 options (0.57%) # Ms. Sylvia Furtado (Company Secretary) - 750 options (0.47%) #	–

Particulars	Employee Stock Option Scheme 2012 - Series I	Employee Stock Option Scheme 2013 - Series I	Employee Stock Option Scheme 2015 - Series I	Employee Stock Option Scheme 2015 - Series II	Employee Stock Option Scheme 2015 - Series III	Employee Stock Option Scheme 2017 - Series I	Employee Stock Option Scheme 2017 - Series II
(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	—	—	—	—	—	—	—
(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	—	—	—	—	—	—	—

* Adjusted on account of corporate actions viz. bonus issue and sub-division of Equity Shares pursuant to Shareholders' resolutions dated February 6, 2018. Bonus shares were allotted on February 7, 2018 and the record date for sub-division of Equity Shares was February 13, 2018.

Pursuant to the terms of respective Employees Stock Option Schemes (ESOS), in case of a corporate action like bonus shares, rights issue, buyback of shares, split of shares, reduction of capital etc. (individually referred to as 'corporate action'), the number of options outstanding as at the date of the corporate action and the exercise price under all the relevant ESOS shall stand modified accordingly, so as to ensure that the paid-up value of the total shares that can be issued under them remains unchanged. Accordingly, the Nomination & Remuneration Committee of the Company has resolved, vide its circular resolution passed in February 2018, to make appropriate adjustments to the outstanding options. Post adjustment of corporate action as mentioned above, the number of options granted is adjusted as follows:

- Mr. Milind Barve (Managing Director) - 50,000 options (3.93%)
- Mr. Piyush Surana (Chief Financial Officer) - 7,200 options (0.57%)
- Ms. Sylvia Furtado (Company Secretary) - 6,000 options (0.47%)

ANNEXURE III
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2018

[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 (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, 2018 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, 2018 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, 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 (Share Based Employee Benefits) Regulation 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# ;

* *Regulations became applicable to the Company, since the Company has filed a Draft Red Hearing Prospectus with SEBI on 15th March, 2018.*

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:

- vi. The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.
- vii. The Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993.
- viii. The Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012. *(Company has not commenced the business of Alternative investment Funds).*

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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) 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 and Independent Directors. There were no changes in the composition of the Board of Directors during the period under review.

Adequate notice was given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance for meetings other than those held at shorter notice, and a system exists 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:-

1. Members' approval has been obtained at the Extra Ordinary General Meeting held on 29th April, 2017, inter alia for :
 - a) Approval for further issue of shares u/s 62(1)(b) of the Companies Act, 2013 through Employee Stock Option Scheme 2017;
 - b) Approval for grant of stock options to the Employees in excess of 1% of issued equity capital under Employee Stock Option Scheme 2017;
2. Members' approval has been obtained at the Extra Ordinary General Meeting held on 27th May, 2017, inter alia for:
 - a) Approval for increase in threshold of loans/ guarantees, providing of securities and making of investments in securities under Section 186 of the Companies Act, 2013;
 - b) Approval for increase in Borrowing limits within the aggregate borrowings not exceeding ₹ 1,500 crores;
3. Board of Directors at their meeting held on 30th November, 2017, has in-principle approved the Initial Public Offering through offer for sale of equity shares by Housing Development Finance Corporation Limited and Standard Life Investments Limited;

4. Members' approval has been obtained at the Extra Ordinary General Meeting held on 6th February, 2018, inter alia, for :
 - a) Increase in the authorized share capital of the Company from ₹ 80,00,00,000 (Rupees Eighty crore) divided into 3,00,00,000 equity shares and 5,00,00,000 redeemable preference shares of ₹10/- each to ₹ 3,50,00,00,000 (Rupees Three Hundred and Fifty crores divided into 30,00,00,000 equity Shares of ₹ 10/- each and 5,00,00,000 redeemable preference shares of ₹ 10/- each;
 - b) Issued and allotted 78,958,200 by way of bonus shares in the ratio of 3 (three) new equity shares for every 1(one) equity shares;
 - c) Sub division of each equity share of ₹ 10/- into 2 equity share of ₹ 5/- each and consequent alteration of Memorandum of Association of the Company and alteration of Articles of Association of the Company.
5. Members' approval has been obtained at the Extra Ordinary General Meeting held on 9th March, 2018, for adoption of new set of Articles of Association of the Company.

For Bhandari & Associates

Company Secretaries

S. N. Bhandari

Partner

FCS No: 761; C P No. : 366

Mumbai

April 13, 2018

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, 2018 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. Where ever 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; C P No. : 366

Mumbai

April 13, 2018

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.	The Company carries its Corporate Social Responsibility (CSR) activities through various implementing agencies. 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 http://www.hdfcfund.com/aboutus/csr-initiatives
2	The Composition of the CSR Committee	As on March 31, 2018, the CSR Committee comprises following members of the Board – Mr. Deepak S. Parekh (Chairman), Mr. Vijay Merchant Mr. Milind Barve (Managing Director)
3	Average net profit of the company for last three financial years:	₹ 677.08 crores
4	Prescribed CSR Expenditure (2% of the amount as in item 3 above):	₹ 13.54 crores
5	Details of CSR spent during the financial year:	
(a)	Total amount spent for the financial year:	₹ 16.99 crores*
(b)	Amount unspent, if any:	Not Applicable

* Out of total amount spent on CSR activities during the year, Rs. 14.39 crores was charged to the Statement of Profit & Loss and balance amount of Rs. 2.60 crores has been utilised from Reserve for social/ philanthropic causes & investor centric initiatives.

(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	Location	Amount (₹) outlay (budget) project or programs 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)	promoting preventive health care	Mumbai (Maharashtra)	₹ 15 crores per annum for 3 years effective FY 2017-2018 & Dividend on the investment made in HDFC Charity Fund for Cancer Cure (Scheme) by the Company for 3 years effective FY 2017-2018 & Additional amount as and when deemed necessary (not exceeding ₹ 1.40 crores)	15,23,09,918	—	39,67,93,418	15,23,09,918 Implementing Agency
2.	The CHILDS Trust Medical Research Foundation	promoting preventive health care	Chennai (Tamil Nadu)	25,00,000	25,00,000	—	65,00,000	25,00,000 Implementing Agency

Sr. No.	CSR project or activity identified	Sector in which the project is covered	Location	Amount (₹) outlay (budget) project or programs 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		
3.	The CHILDS Trust Hospital	promoting preventive health care	Chennai (Tamil Nadu)	50,00,000	50,00,000	—	50,00,000	50,00,000 Implementing Agency
4.	Ray of Light Foundation	promoting preventive health care	Chennai (Tamil Nadu)	75,00,000	50,45,570	—	70,45,570	50,45,570 Implementing Agency
5.	Born Learning	Promotion of education	Chennai (Tamil Nadu)	50,00,000	50,00,000	—	50,00,000	50,00,000 Implementing Agency
	TOTAL				16,98,55,488	—		16,98,55,488

*Details of implementing agency: Implementing Agencies include Indian Cancer Society (ICS), The CHILDS Trust Medical Research Foundation, The CHILDS Trust Hospital, Ray of Light Foundation and United Way of Chennai. 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:**
Not Applicable
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

Mr. Deepak Parekh
Chairman of Corporate Social
Responsibility Committee

ANNEXURE V**EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON MARCH 31, 2018****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
E-mail: shareholders.relations@hdfcfund.com
Tel: +91 22 6631 6333
Fax no.: +91 22 6658 0203
- vi. **Whether listed company** : No
- vii. **Name, Address and Contact details of Registrar and Transfer Agent** : Karvy Computershare Private Limited
: Karvy Selenium Tower B, Plot 31-32, Gachibowli,
Financial District, Nanakramguda,
Hyderabad – 500 032 India
E-mail: einward.ris@karvy.com
Tel: +91 40 6716 2222
Fax: +91 40 2343 1551

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	98.68%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

Sr. No.	Name and Address of the company	CIN	Holding/Subsidiary/ Associate	% of shares held	Applicable section
1.	HDFC Limited Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate - 400 020	L70100MH1977PLC019916	Holding Company	57.36%	2(46)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity):**i) Category-wise Share Holding**

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	59.99	12,07,72,800	—	12,07,72,800	57.36	(2.63)
e) Banks / FI	—	—	—	—	—	—	—	—	—
f) Any Other	—	—	—	—	—	—	—	—	—
Sub-total (A) (1)	1,50,96,530	70	1,50,96,600	59.99	12,07,72,800	—	12,07,72,800	57.36	(2.63)
(2) Foreign									
a) NRIs -Individuals	—	—	—	—	—	—	—	—	—
b) Other-Individuals	—	—	—	—	—	—	—	—	—
c) Bodies Corp.#	—	—	—	—	8,05,15,200	—	8,05,15,200	38.24	38.24
d) Banks / FI	—	—	—	—	—	—	—	—	—
e) Any Other	—	—	—	—	—	—	—	—	—
Sub-total (A) (2)	—	—	—	—	8,05,15,200	—	8,05,15,200	38.24	38.24
Total shareholding of Promoter (A) = (A) (1)+(A)(2)	1,50,96,530	70	1,50,96,600	59.99	20,12,88,000	—	20,12,88,000	95.60	35.61
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)	—	—	—	—	—	—	—	—	—

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	39.99	—	—	—	—	(39.99)
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	5,900	—	5,900	0.02	1,02,400		1,02,400	0.05	0.03
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	—	—	—	—	91,64,800	—	91,64,800	4.35	4.35
c) Others	—	—	—	—	—	—	—	—	—
Sub-total (B)(2)	1,00,70,300	—	1,00,70,300	40.01	92,67,200	—	92,67,200	4.40	(35.61)
Total Public Shareholding (B)=(B)(1)+(B)(2)	1,00,70,300	—	1,00,70,300	40.01	92,67,200	—	92,67,200	4.40	(35.61)
C. Shares held by Custodian for GDRs & ADRs: NIL									
Grand Total (A+B+C)	2,51,66,830	70	2,51,66,900	100	21,05,55,200	—	21,05,55,200	100	0.00

* During the year, each equity share having face value of ₹ 10/- each was sub-divided into two equity shares of ₹ 5/- each.

In the Draft Red Herring Prospectus dated March 14, 2018 filed by the Company with Securities Exchange Board of India, the Company has named Standard Life Investments Limited as its Promoter along with HDFC Limited.

(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	59.99	—	12,07,72,800	57.36	—	(2.63)
2.	Standard Life Investments Limited #	1,00,64,400	39.99	—	8,05,15,200	38.24	—	(1.75)

In the Draft Red Herring Prospectus dated March 14, 2018 filed by the Company with Securities Exchange Board of India, the Company has named Standard Life Investments Limited as its Promoter along with HDFC Limited

(ii) Change in Promoters' Shareholding

Name of the shareholder	Shareholding at the beginning of the year		Increase/ Decrease in no. of shares	Cumulative shareholding during the end of the year	
	No. of Shares	% of total Shares of the company		No. of Shares	% of total Shares of the company
1. HDFC Limited	1,50,96,600	59.99	—	—	—
27.09.2017 – pursuant to exercise of ESOPs	—	—	—	—	57.36#
07.02.2018 – pursuant to bonus issue 3:1	—	—	4,52,89,800	6,03,86,400	57.36
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	6,03,86,400	12,07,72,800	57.36
At the end of the year	—	—	—	12,07,72,800	57.36
2. Standard Life Investments Limited	1,00,64,400	39.99	—	—	—
27.09.2017 – pursuant to exercise of ESOPs	—	—	—	—	38.24#
07.02.2018 – pursuant to bonus issue 3:1	—	—	3,01,93,200	4,02,57,600	38.24
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	4,02,57,600	8,05,15,200	38.24
At the end of the year	—	—	—	8,05,15,200	38.24

the percentage change is due to exercise of options under ESOP Scheme(s) during the year.

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

Name of the shareholder	Shareholding at the beginning of the year		Increase/ Decrease in no. of shares	Cumulative shareholding during the end of the year	
	No. of Shares	% of total Shares of the company		No. of Shares	% of total Shares of the company
1. Prashantkumar Rajendra Jain					
Beginning of the year	1000	0.00	—	—	—
27.09.2017 – pursuant to exercise of ESOPs	—	—	1,10,000	1,11,000	0.42
07.02.2018 – pursuant to bonus issue 3:1	—	—	3,33,000	4,44,000	0.42
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	4,44,000	8,88,000	0.42
At the end of the year	—	—	—	8,88,000	0.42

Name of the shareholder	Shareholding at the beginning of the year		Increase/ Decrease in no. of shares	Cumulative shareholding during the end of the year	
	No. of Shares	% of total Shares of the company		No. of Shares	% of total Shares of the company
2. Shobhit Mehrotra					
Beginning of the year	—	—	—	—	—
27.09.2017 – pursuant to exercise of ESOPs	—	—	45,000	45,000	0.17
07.02.2018 – pursuant to bonus issue 3:1	—	—	1,35,000	1,80,000	0.17
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	1,80,000	3,60,000	0.17
At the end of the year	—	—	—	3,60,000	0.17
3. Chirag Setalwad					
Beginning of the year	—	—	—	—	—
27.09.2017 – pursuant to exercise of ESOPs	—	—	40,000	40,000	0.15
07.02.2018 – pursuant to bonus issue 3:1	—	—	1,20,000	1,60,000	0.15
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	1,60,000	3,20,000	0.15
At the end of the year	—	—	—	3,20,000	0.15
4. Yezdi Minoo Khariwala					
Beginning of the year	—	—	—	—	—
27.09.2017 – pursuant to exercise of ESOPs	—	—	38,000	38,000	0.14
07.02.2018 – pursuant to bonus issue 3:1	—	—	1,14,000	1,52,000	0.14
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	1,52,000	3,04,000	0.14
At the end of the year	—	—	—	3,04,000	0.14
5. Anil Mangilal Bamboli					
Beginning of the year	—	—	—	—	—
27.09.2017 – pursuant to exercise of ESOPs	—	—	35,000	35,000	0.13
07.02.2018 – pursuant to bonus issue 3:1	—	—	1,05,000	1,40,000	0.13

Name of the shareholder	Shareholding at the beginning of the year		Increase/ Decrease in no. of shares	Cumulative shareholding during the end of the year	
	No. of Shares	% of total Shares of the company		No. of Shares	% of total Shares of the company
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	1,40,000	2,80,000	0.13
At the end of the year	—	—	—	2,80,000	0.13
6. Shyamali Basu					
Beginning of the year	—	—	—	—	—
27.09.2017 – pursuant to exercise of ESOPs	—	—	33,000	33,000	0.13
07.02.2018 – pursuant to bonus issue 3:1	—	—	99,000	1,32,000	0.13
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	1,32,000	2,64,000	0.13
At the end of the year	—	—	—	2,64,000	0.13
7. Naveen Dindayal Gogia					
Beginning of the year	—	—	—	—	—
27.09.2017 – pursuant to exercise of ESOPs	—	—	30,000	30,000	0.11
07.02.2018 – pursuant to bonus issue 3:1	—	—	90,000	1,20,000	0.11
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	1,20,000	2,40,000	0.11
At the end of the year	—	—	—	2,40,000	0.11
8. Rakesh Vyas					
Beginning of the year	—	—	—	—	—
27.09.2017 – pursuant to exercise of ESOPs	—	—	30,000	30,000	0.11
07.02.2018 – pursuant to bonus issue 3:1	—	—	90,000	1,20,000	0.11
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	1,20,000	2,40,000	0.11
At the end of the year	—	—	—	2,40,000	0.11
9. Srikanth G					
Beginning of the year	100	0.00	—	—	—
27.09.2017 – pursuant to exercise of ESOPs	—	—	28,000	28,100	0.11

Name of the shareholder	Shareholding at the beginning of the year		Increase/ Decrease in no. of shares	Cumulative shareholding during the end of the year	
	No. of Shares	% of total Shares of the company		No. of Shares	% of total Shares of the company
07.02.2018 – pursuant to bonus issue 3:1	—	—	84,300	1,12,400	0.11
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	1,12,400	2,24,800	0.11
At the end of the year	—	—	—	2,24,800	0.11
10. Suresh Babu V.					
Beginning of the year	—	—	—	—	—
27.09.2017 – pursuant to exercise of ESOPs	—	—	27,500	27,500	0.10
07.02.2018 – pursuant to bonus issue 3:1	—	—	82,500	1,10,000	0.10
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	1,10,000	2,20,000	0.10
At the end of the year	—	—	—	2,20,000	0.10
11. Sharad Surendermal Mohnot #					
Beginning of the year	2000	0.00	—	—	—
27.09.2017 – pursuant to exercise of ESOPs	—	—	8000	10,000	0.04
07.02.2018 – pursuant to bonus issue 3:1	—	—	30,000	40,000	0.04
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	40,000	80,000	0.04
At the end of the year	—	—	—	80,000	0.04
12. Amitabh Prakash #					
Beginning of the year	1,100	0.00	—	—	—
07.02.2018 – pursuant to bonus issue 3:1	—	—	3,300	4,400	0.00
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	4,400	8,800	0.00
At the end of the year	—	—	—	8,800	0.00
13. Abhijit N Mungale #					
Beginning of the year	1,000	0.00	—	—	—
07.02.2018 – pursuant to bonus issue 3:1	—	—	3,000	4,000	0.00

Name of the shareholder	Shareholding at the beginning of the year		Increase/ Decrease in no. of shares	Cumulative shareholding during the end of the year	
	No. of Shares	% of total Shares of the company		No. of Shares	% of total Shares of the company
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	4,000	8,000	0.00
At the end of the year	—	—	—	8,000	0.00
14. Anil Vittappa Kamath #					
Beginning of the year	700	0.00	—	—	—
07.02.2018 – pursuant to bonus issue 3:1	—	—	2,100	2,800	0.00
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	2,800	5,600	0.00
At the end of the year	—	—	—	5,600	0.00

Not in the list of Top 10 shareholders as on March 31, 2018. The same has been reflected above since they were in the Top 10 shareholders as on March 31, 2017.

(v) Shareholding of Directors and Key Managerial Personnel:

Name of the Director/ KMP	Shareholding at the beginning of the year		Increase/ Decrease in no. of shares	Cumulative shareholding during the end of the year	
	No. of Shares	% of total Shares of the company		No. of Shares	% of total Shares of the company
I. Directors					
1. Deepak Parekh					
Beginning of the year	—	—	—	—	—
27.09.2017 – pursuant to exercise of ESOPs			20,000	20,000	0.08
07.02.2018 – pursuant to bonus issue 3:1	—	—	60,000	80,000	0.08
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	80,000	1,60,000	0.08
At the end of the year	—	—	—	1,60,000	0.08
2. Keki Mistry					
Beginning of the year	—	—	—	—	—
27.09.2017 – pursuant to exercise of ESOPs	—	—	15,000	15,000	0.06
07.02.2018 – pursuant to bonus issue 3:1	—	—	45,000	60,000	0.06
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	60,000	1,20,000	0.06
At the end of the year	—	—	—	1,20,000	0.06
3. Renu Karnad					
Beginning of the year	—	—	—	—	—
27.09.2017 – pursuant to exercise of ESOPs	—	—	15,000	15,000	0.06
07.02.2018 – pursuant to bonus issue 3:1	—	—	45,000	60,000	0.06
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	60,000	1,20,000	0.06
At the end of the year	—	—	—	1,20,000	0.06

Name of the Director/ KMP	Shareholding at the beginning of the year		Increase/ Decrease in no. of shares	Cumulative shareholding during the end of the year	
	No. of Shares	% of total Shares of the company		No. of Shares	% of total Shares of the company
II. KMP					
1. Milind Barve					
Beginning of the year	—	—	—	—	—
27.09.2017 – pursuant to exercise of ESOPs	—	—	1,30,000	1,30,000	0.49
07.02.2018 – pursuant to bonus issue 3:1	—	—	3,90,000	5,20,000	0.49
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	5,20,000	10,40,000	0.49
At the end of the year	—	—	—	10,40,000	0.49
2. Piyush Surana					
Beginning of the year	—	—	—	—	—
27.09.2017 – pursuant to exercise of ESOPs	—	—	20,000	20,000	0.08
07.02.2018 – pursuant to bonus issue 3:1	—	—	60,000	80,000	0.08
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	80,000	1,60,000	0.08
At the end of the year	—	—	—	1,60,000	0.08
3. Sylvia Furtado					
Beginning of the year	—	—	—	—	—
27.09.2017 – pursuant to exercise of ESOPs	—	—	15,000	15,000	0.06
07.02.2018 – pursuant to bonus issue 3:1	—	—	45,000	60,000	0.06
13.02.2018 – pursuant to Sub-division (from ₹ 10/- to ₹ 5/- each)	—	—	60,000	1,20,000	0.06
At the end of the year	—	—	—	1,20,000	0.06

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 crores

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	3.33	3.33
	(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	—	—
2.	Stock Option*	—	—
3.	Sweat Equity	—	—
4.	Commission	—	—
	— as % of profit — others, specify	3.70	3.70
5.	Others, please specify	—	—
	Total (A)	7.04	7.04
	Ceiling as per the Act	5% of the net profits of the Company	

* excludes perquisite value of ₹ 21.04 crores towards the stock options exercised during the year.

NOTE: Remuneration paid to the Managing Director is within the ceiling provided under Section 196 of the Companies Act, 2013.

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

Sl. no.	Particulars of Remuneration	Name of Directors						Total Amount (₹ in crores)
		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	0.24	0.20	0.25	0.21	0.16	0.14	1.20
2.	Commission	—	—	—	—	—	—	—
3.	Others	—	—	—	—	—	—	—
	Total (1)	0.24	0.20	0.25	0.21	0.16	0.14	1.20

II: Other Non-Executive Directors

Sl. no.	Particulars of Remuneration	Name of Directors					Total Amount (₹ in crores)
		Mr. Deepak Parekh	Mr. Keki Mistry	Mr. James Aird	Mr. Norman Skeoch	Ms. Renu S. Karnad	
1.	Fee for attending board / committee meetings	0.19	0.25	NIL	NIL	0.18	0.62
2.	Commission	—	—	—	—	—	—
3.	Others	—	—	—	—	—	—
	Total (2)	0.19	0.25	NIL	NIL	0.18	0.62
	Total (B)=(1+2)						1.82
	Ceiling as per the Act	1% of the Net Profits of the Company					

C. Remuneration to Key Managerial Personnel other than MD:

₹ in Crores

Sl. no.	Particulars of Remuneration	Key Managerial Personnel		
		Chief Financial Officer	Company Secretary	Total
		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	1.33	0.76	2.09
	(b) Value of perquisites u/s17(2) Income-tax Act, 1961 *	—	—	—
	(c) Profits in lieu of salary under section 17(3) Income tax Act, 1961	—	—	—
2.	Stock Option *	—	—	—
3.	Sweat Equity	—	—	—
4.	Commission- as % of profit- others	—	—	—
5.	Others	—	—	—
	Total (C)	1.33	0.76	2.09

* excludes perquisite value of ₹ 3.11 crores in case of Mr. Piyush Surana and ₹ 2.11 crores in case of Ms. Sylvia Furtado towards the stock options exercised during the year.

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

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 audit of 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 31 March 2018, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the 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, that were operating effectively for ensuring 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing, specified under Section 143 (10) of the Act, issued by the Institute of Chartered Accountants of India (the 'ICAI'). 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 the disclosures in the financial statements. The procedures selected depend on the auditor's 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.

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

An audit also includes evaluating the appropriateness of the 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

Independent Auditors' Report (Continued)

true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2018, and its profit and its cash flows for the year ended on that date.

Other Matter

Attention is drawn to the fact that the figures for the year ended 31 March 2017 as reported in these financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements, dated 28 April 2017.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's 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 the "Annexure A", a statement on the matters specified in paragraph 3 and 4 of the Order, to the extent applicable.

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;

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

d) in our opinion, the 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 the written representations received from the Directors as on 31 March 2018 taken on record by the Board of Directors, none of the Directors are disqualified as on 31 March 2018 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, refer to our separate Report in "Annexure B"; and

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 litigation on its financial position in financial statement – refer note 20.7 to the financial statements;

ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company; and

iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Akeel Master

Partner

Mumbai
16 April 2018

Membership No: 046768

Annexure A to the Independent Auditors' Report – 31 March 2018

(Referred to in our report of even date)

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

(b) The Company has a regular programme of physical verification of its fixed assets by which all the fixed assets are verified annually. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

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

ii. The Company is a service company primarily rendering asset management services, portfolio management services and investment advisory services. Accordingly, it does not hold any inventories. Thus, paragraph 3 (ii) of the Order is not applicable to the Company.

iii. According to the information and explanation given to us, 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. Thus, paragraph 3 (iii) of the Order are not applicable to the Company.

iv. In our opinion and according to the information and explanations given to us, the Company has not advanced any loan, given any guarantee or provided any security in connection with loan to any of its Directors or to any person in whom the Director is interested. The Company has complied with the provisions of

Section 186 of the Act, with respect to the investments made.

v. In our opinion and according to the information and explanations given to us, the Company has not accepted deposits as per the directives issued by Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and Rules framed there under. Thus, paragraph 3 (v) of the Order is not applicable to the Company.

vi. The Central Government has not prescribed the maintenance of cost records under Section 148 (1) of the

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

Act, for any of the services rendered by the Company. Accordingly, paragraph 3 (vi) of the Order is not applicable to the Company.

vii. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, income tax, service tax, goods and services tax, cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of sales tax, wealth tax, employees' state insurance, duty of customs, duty of excise and value added tax. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income

tax, service tax, goods and services tax, cess and other material statutory dues were in arrears as at 31 March 2018 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of provident fund, service tax, goods and services tax, cess and other material statutory dues which have not been deposited by the Company on account of disputes. The dues outstanding with respect to income tax on account of dispute are as follows :

viii. In our opinion and according to the information and explanations given to us, the Company has not taken any loan or borrowing from financial institution, bank, Government or debenture holder. Thus, paragraph 3 (viii) of the Order is not applicable to the Company.

ix. In our opinion and according to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer (including debt instrument) and term loans. Thus, paragraph 3 (ix) of the Order is not applicable to the Company.

x. According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.

xi. According to the information and explanations given to us and

Annexure A to the Independent Auditors' Report – 31 March 2018 (Continued)

based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company as per the Act. Thus, paragraph 3 (xii) of the Order is not applicable to the Company.

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, all transactions entered into by the Company with the related parties are in compliance

with Sections 177 and 188 of the Act, where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

xiv. According to the information and explanation given to us and based on our examination of the records of the Company, the Company has not made preferential allotment or private placement of shares or allotted fully or partly convertible debentures during the year. Thus, paragraph 3 (xiv) of the Order is not applicable to the Company.

xv. According to the information and explanation given to us and based on our examination of the records of the Company, the Company has not

entered into non-cash transactions with Directors or person connected with him. Thus, paragraph 3 (xv) of the Order is not applicable to the Company.

xvi. According to 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. Thus, paragraph 3 (xvi) of the Order is not applicable to the Company.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Akeel Master

Partner

Mumbai
16 April 2018

Membership No: 046768

Annexure B to the Independent Auditors' Report – 31 March 2018

(Referred to in our report of even date)

Report on the Internal Financial Controls 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 31 March 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Board of Directors 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 (the 'Guidance Note') issued by the Institute of Chartered Accountants of India (the '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 (the 'Act').

Auditor's 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 and the Standards on Auditing issued by the ICAI and specified under Section 143 (10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and 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 judgment, 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.

Meaning of Internal Financial Controls Over Financial Reporting

The company's internal financial control over financial reporting is a process designed to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The 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 authorizations of management and Directors of the company and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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 B to the Independent Auditors' Report – 31 March 2018 (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.

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 31 March 2018 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 issued by the ICAI.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Akeel Master

Partner

Mumbai
16 April 2018

Membership No: 046768

Balance Sheet as at March 31, 2018

Particulars	Note No.	March 31, 2018	March 31, 2017
		₹	₹
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share Capital	1	105,27,76,000	25,16,69,000
Reserves and Surplus	2	2054,69,09,606	1397,77,23,455
NON-CURRENT LIABILITIES			
Long-Term Provisions	3	77,82,367	80,41,813
CURRENT LIABILITIES			
Trade Payables-Outstanding dues of Small Enterprises and Micro Enterprises	4	-	-
Trade Payables-Outstanding dues of creditors other than Small Enterprises and Micro Enterprises	4	111,57,56,585	96,06,25,034
Other Current Liabilities	5	98,18,81,374	79,69,25,313
Short-Term Provisions	6	11,16,349	9,63,022
		<u>209,87,54,308</u>	<u>175,85,13,369</u>
TOTAL		<u><u>2370,62,22,281</u></u>	<u><u>1599,59,47,637</u></u>
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
— Property, Plant and Equipment	7	24,58,63,139	22,63,70,091
— Intangible Assets	7	8,20,76,381	8,54,51,679
— Intangible Assets Under Development		5,96,32,315	-
		<u>38,75,71,835</u>	<u>31,18,21,770</u>
Non-Current Investments	8	639,54,32,010	168,79,82,989
Deferred Tax Assets (net) (see note 20.6)	9	9,73,23,304	9,35,31,168
Long-Term Loans and Advances	10	61,66,71,243	71,43,51,588
		<u>749,69,98,392</u>	<u>280,76,87,515</u>
CURRENT ASSETS			
Current Investments	11	1311,01,73,280	1067,85,84,880
Trade Receivables	12	90,27,79,188	85,09,08,554
Cash and Bank Balances	13	2,06,67,130	1,27,39,499
Short-Term Loans and Advances	14	205,46,76,675	162,75,14,221
Other Current Assets	15	12,09,27,616	1,85,12,968
		<u>1620,92,23,889</u>	<u>1318,82,60,122</u>
TOTAL		<u><u>2370,62,22,281</u></u>	<u><u>1599,59,47,637</u></u>

See summary of significant accounting policies and accompanying notes which form an integral part of the financial statements

As per our report attached of even date
For B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration No. 101248W/W-100022

Akeel Master
Partner
Membership No: 046768

Mumbai
April 16, 2018

For and on behalf of the Board of Directors

Deepak S. Parekh
Chairman
(DIN: 00009078)

Piyush Surana
Chief Financial Officer

Milind Barve
Managing Director
(DIN: 00087839)

Sylvia Furtado
Company Secretary
(ACS: 17976)

Statement of Profit and Loss for the year ended March 31, 2018

Particulars	Note No.	For the Year ended March 31, 2018 ₹	For the Year ended March 31, 2017 ₹
REVENUE			
Revenue from Operations	16	1759,75,13,042	1480,03,56,590
Other Income	17	107,49,56,870	107,87,51,201
TOTAL REVENUE		1867,24,69,912	1587,91,07,791
EXPENSES			
Employee Benefits Expense	18	174,94,84,381	157,55,17,435
Depreciation and Amortization Expense	7	11,44,03,212	11,96,35,718
Other Expenses	19	618,34,12,784	618,59,41,373
TOTAL EXPENSES		804,73,00,377	788,10,94,526
PROFIT BEFORE TAX		1062,51,69,535	799,80,13,265
Tax Expense:			
Current Tax		341,27,81,386	245,01,89,103
Deferred Tax		(37,92,136)	4,53,67,512
PROFIT AFTER TAX		721,61,80,285	550,24,56,650
Earnings Per Equity Share (Face Value ₹ 5) (see note 20.5)			
— Basic		35.02	27.33
— Diluted		34.96	27.05

See summary of significant accounting policies and accompanying notes which form an integral part of the financial statements

As per our report attached of even date
For B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration No. 101248W/W-100022

Akeel Master
Partner
Membership No: 046768

Mumbai
April 16, 2018

For and on behalf of the Board of Directors

Deepak S. Parekh
Chairman
(DIN: 00009078)

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Chief Financial Officer

Milind Barve
Managing Director
(DIN: 00087839)

Sylvia Furtado
Company Secretary
(ACS: 17976)

Cash Flow Statement for the year ended March 31, 2018

	For the Year ended March 31, 2018 ₹	For the Year ended March 31, 2017 ₹
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and extraordinary items*	1062,51,69,535	799,80,13,265
Add / (Less) : Adjustment for	11,44,03,212	11,96,35,718
Depreciation and Amortization	—	(8,70,360)
Provision for / (Reversal of) Diminution in the Value of Current Investments	—	(15,00,00,000)
Utilisation / Reversal of Provision for Contingencies	(72,72,22,914)	(66,45,45,628)
(Profit) / Loss on Sale of Investments (net)	(12,64,780)	(4,96,836)
(Profit) / Loss on Sale of Fixed Assets (net)	(34,52,15,201)	(21,71,04,165)
Investment Income	966,58,69,852	708,46,31,994
Operating Profit before working capital changes	(42,71,62,454)	9,38,25,298
(Increase) / Decrease in Current Loans and Advances	4,61,48,403	41,37,51,661
(Increase) / Decrease in Non Current Loans and Advances	(18,724)	79,86,11,066
(Increase) / Decrease in Other Current Assets	(5,18,70,634)	(46,52,04,785)
(Increase) / Decrease in Trade Receivables	34,02,40,939	(65,64,68,609)
Increase / (Decrease) in Current Liabilities	(2,59,446)	(14,19,58,187)
Increase / (Decrease) in Non Current Liabilities	957,29,47,936	712,71,88,438
Cash generated from / (used in) operations	(337,14,95,145)	(257,86,23,812)
Income Tax Paid	620,14,52,791	454,85,64,626
Net cash from / (used in) operating activities	620,14,52,791	454,85,64,626
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(17,99,17,234)	(13,56,02,969)
Proceeds from Sale of Fixed Assets	12,74,438	13,75,124
Purchase of Investments	(4202,55,78,088)	(2732,44,28,908)
Proceeds from Sale of Investments	3587,65,20,834	2559,65,77,527
Dividend Received	3,14,64,780	6,67,06,500
Interest Received / (Paid)	(5,14,19,363)	3,50,38,819
Net cash from / (used in) investing activities	(634,76,54,633)	(176,03,33,907)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Share Capital	423,47,98,500	14,22,900
Utilisation of Social / philanthropic causes & investor centric initiatives	(2,59,77,074)	-
Interim Equity Dividend Paid	(336,88,83,200)	(231,53,54,800)
Tax Paid on Interim Equity Dividend	(68,58,25,360)	(47,13,51,760)
Net cash from / (used in) financing activities	15,41,12,866	(278,52,83,660)
Net Increase / (Decrease) in cash and cash equivalents	79,11,024	29,47,059
Cash and cash equivalents at the beginning of the Year (see note 13)	1,16,30,854	86,83,795
Cash and cash equivalents at the end of the Year (see note 13)	1,95,41,878	1,16,30,854
	79,11,024	29,47,059
* Amount spent towards Corporate Social Responsibility expense as per Section 135 (5) of the Companies Act, 2013 (see note 20.12)	14,38,78,414	12,33,44,500

As per our report attached of even date

For and on behalf of the Board of Directors

For B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration No. 101248W/W-100022

Deepak S. Parekh
Chairman
(DIN: 00009078)

Milind Barve
Managing Director
(DIN: 00087839)

Akeel Master
Partner
Membership No: 046768

Piyush Surana
Chief Financial Officer

Sylvia Furtado
Company Secretary
(ACS: 17976)

Mumbai
April 16, 2018

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (NOTES) FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, HDFC Trustee Company Limited ('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 Basis of Preparation

These financial statements have been prepared and presented under the historical cost convention on accrual basis of accounting and comply with the Accounting Standards, notified under Section 133 of the Companies Act, 2013 ('the Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, the relevant provisions of the Act and other accounting principles generally accepted in India, to the extent applicable. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

2 Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles ('GAAP') requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported revenue and expenses during the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

3 Operating Cycle

Based on the nature of its activities, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

4 Income Recognition

Revenue is recognized to the extent there is reasonable certainty of its ultimate realisation and it can be reliably measured.

- Investment Management fees, Portfolio Management Fees, other Advisory Fees are recognised on accrual basis.
- Dividend income is recognized when the right to receive the same is established.
- Interest income (net of amortized premium / accreted discount, if any) is recognized on a time proportion basis.

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

- Gains / losses on sale of investments are recognized in the Statement of Profit and Loss on the trade date. Profit / loss on sale of investments is determined on weighted average cost basis.
- Income from Investment in Venture Capital Fund (VCF) / Alternative Investment Fund (AIF) is recognised on the basis of income distribution by the respective VCF/AIF.

5 Brokerage

Upfront brokerage paid for 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 contractual period.

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

6 Investments

Investments are classified as Current or Long term based on intention of the management at the time of purchase of such investments. Long term investments are stated at cost of acquisition or at amortised cost, if acquired at a premium over face value. Premium over face value is amortised over the remaining period to maturity on a straight line basis. Provision for diminution is recognized for a decline, if any, which is other than temporary in the value of Long Term investments. Current investments are valued at lower of cost and market value on an individual basis. On disposal of an investment, difference between the carrying amount and net disposal proceeds is charged / credited to the Statement of Profit and Loss.

7 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 in 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 when the asset is disposed.

8 Depreciation / Amortization

Depreciation on fixed assets is provided on straight-line basis as per the estimated useful life and in the manner prescribed in Schedule II of the Companies Act, 2013 except for certain assets.

A) Property, Plant & Equipment:

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.

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

CLASS OF FIXED ASSET	Useful Life (in years)	
	As per the Companies Act, 2013	As per management's estimate
Buildings*	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 amortised 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 amortised over a period of 3 years.

9 Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such estimated recoverable amount of the asset is less than the carrying amount, the carrying amount is reduced to its estimated recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

10 Cash and Cash Equivalents

Cash and cash equivalents represent cash in hand, balance with scheduled banks in current account and short term deposits with banks with an original maturity of three months or less.

11 Transactions in Foreign Currency

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transactions. Exchange differences, if any, arising out of foreign exchange transactions settled during the period are recognised in the Statement of Profit and Loss. Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date at the closing exchange rates on that date and the resultant exchange differences, if any, are recognised in the Statement of Profit and Loss.

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

12 Employee Benefits

A) Defined Contribution Plan

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

B) Defined Benefit Plan

The Company's contribution in the case of gratuity is funded annually with a life insurance company. The Company's gratuity benefit scheme is a defined benefit plan. The net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and that benefit is discounted to determine its present value and the fair value of plan assets, if any, is deducted from such determined present value. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation by an independent actuary using Projected Unit Credit Method.

The obligation is measured at the present value of the estimated future cash flows.

Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss.

C) Other Long Term Employee Benefits

Other long term employee benefits include accumulated compensated absences that are entitled to be carried forward for future availment subject to Company's policies. The Company's liability towards accumulated compensated absences are accrued and provided for on the basis of an actuarial valuation using Projected Unit Credit Method at the end of the reporting period.

D) Employee Stock Option Scheme ('ESOS')

The Employee Stock Option Scheme ('the Scheme') provides for the grant of options to acquire equity shares of the Company to its employees. The period of vesting and period of exercise are as specified within the respective scheme. The Company follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the fair value of the underlying equity shares over the exercise price as determined under the option plan as on the grant date. The fair value of the Company's underlying equity shares is determined in accordance with the pricing formula approved by the Nomination & Remuneration Committee. Compensation cost, if any, is amortised over the vesting period.

13 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.

14 Income Tax

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period).

Current tax expense is recognised on an annual basis under the taxes payable method, based on the estimated tax liability computed after taking credit for allowances and exemption in accordance with Income-tax Act, 1961. In case of matters under appeal due to disallowance or otherwise, full provision is recognised when the said liabilities are accepted by the Company.

In accordance with the Accounting Standard on "Accounting for Taxes on Income" (AS-22), the deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonable / virtually certain (as the case may be) to be realised.

15 Scheme Expenses

Recurring expenses of schemes of HDFC Mutual Fund borne by the Company are recognised 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, recurring scheme expenses borne by the Company in excess of the limits prescribed by SEBI are disclosed under Mutual Fund expense in the Statement of Profit and Loss. New Fund Offer (NFO) expenses on the launch of schemes are borne by the Company.

16 Earnings Per Share

In accordance with the Accounting Standard on "Earnings Per Share" (AS-20), the basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by weighted average number of equity shares outstanding during the reporting period.

The number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares.

17 Provisions, Contingent Liabilities and Contingent Assets

In accordance with the Accounting Standard on "Provisions, Contingent Liabilities and Contingent Assets" (AS-29), provisions comprise liabilities of uncertain timing or amount. Provisions are recognised when the Company has a present 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 reasonable estimate can be made.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements.

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 1

SHARE CAPITAL

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
AUTHORISED		
60,00,00,000 Equity Shares of ₹ 5 each (Previous Year 3,00,00,000 Equity Shares of ₹ 10 each)	300,00,00,000	30,00,00,000
5,00,00,000 Redeemable, Cumulative Non-Convertible Preference Shares of ₹ 10 each	50,00,00,000	50,00,00,000
Total	350,00,00,000	80,00,00,000
ISSUED, SUBSCRIBED AND PAID-UP		
21,05,55,200 Equity Shares of ₹ 5 each (Previous Year 2,51,66,900 Equity Shares of ₹ 10 each), fully paid up	105,27,76,000	25,16,69,000
Total	105,27,76,000	25,16,69,000

a) Movement in Equity 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 (face value of ₹ 10 each)	2,51,66,900	25,16,69,000	2,51,64,200	25,16,42,000
Add : Shares issued during the Year (face value of ₹ 10 each)	11,52,500	1,15,25,000	2,700	27,000
Add : Bonus shares issued out of the Securities Premium Account as per the note below (face value of ₹ 10 each)	7,89,58,200	78,95,82,000	—	—
Add : Subdivision of shares as per the note below (face value of ₹ 5 each)	10,52,77,600	—	—	—
Less : Shares bought back during the Year	—	—	—	—
Shares outstanding at the end of the Year (face value of ₹ 5 each as at March 31, 2018)	21,05,55,200	105,27,76,000	2,51,66,900	25,16,69,000

The shareholders of the Company had, at the Extraordinary General Meeting (EGM) held on February 06, 2018, accorded their consent to the following:

1. Increase in the authorized share capital of the Company from ₹ 80,00,00,000 divided into 3,00,00,000 equity shares of ₹ 10 each and 5,00,00,000 preference shares of ₹ 10 each to ₹ 350,00,00,000 divided into 30,00,00,000 equity shares of ₹ 10 each and 5,00,00,000 preference shares of ₹ 10 each.
2. Issue and allotment of bonus shares in the ratio of 3 equity shares of ₹ 10 each for every 1 equity share of ₹ 10 each. The record date for the issue of bonus shares was February 05, 2018.

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

3. Sub division of the authorized and issued share capital of the Company by decreasing the face value of the equity share from ₹ 10 each to ₹ 5 each. The record date for the sub division was February 13, 2018.
4. Accordingly, the revised authorised share capital of the Company now stands at ₹ 350,00,00,000 divided into 60,00,00,000 equity shares of ₹ 5 each and 5,00,00,000 preference shares of ₹ 10 each and issued, subscribed and paid up share capital at ₹ 105,27,76,000 comprising of 21,05,55,200 equity shares of ₹ 5 each.

b) Terms / Rights attached to Equity Shares

1. The Company had issued only one class of equity shares referred to as equity share having Face Value of ₹ 10 each which has been sub-divided to ₹ 5 each w.e.f. February 13, 2018. Each holder of equity shares is entitled to one vote per share.
 2. 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.
 3. 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.
- c) 12,07,72,800 equity shares of ₹ 5 each (Previous Year 1,50,96,600 equity shares of ₹ 10 each) are held by Housing Development Finance Corporation Limited (Holding Company) & its nominees.

d) 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 (Face Value ₹ 5)	% of Share Capital	No. of Equity Shares (Face Value ₹ 10)	% of Share Capital
Housing Development Finance Corporation Limited (Holding Company) & its nominees	12,07,72,800	57.36	1,50,96,600	59.99
Standard Life Investments Limited	8,05,15,200	38.24	1,00,64,400	39.99

- e) 15,01,800 equity shares of ₹ 5 each are reserved for issuance towards outstanding employee stock options.
- f) 9,26,900 equity shares of ₹ 10 each (Previous Year 14,11,550 equity shares of ₹ 10 each) were bought back during last five years.
- g) No shares were allotted as fully paid-up 'pursuant to any contract without payment being received in cash' in last five years.
- h) 7,89,58,200 fully paid up equity shares of ₹ 10 each (Previous five Years Nil) were issued by way of bonus shares during the year.

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 2

RESERVES AND SURPLUS

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
Capital Redemption Reserve		
Closing Balance	52,40,86,000	52,40,86,000
Securities Premium Account		
Opening Balance	13,95,900	—
Add : Additions during the Year	422,32,73,500	13,95,900
Less : Utilised during the Year	78,95,82,000	—
Closing Balance	343,50,87,400	13,95,900
General Reserve		
Opening Balance	102,81,25,177	47,78,79,512
Add : Transfer from Surplus in Statement of Profit and Loss	72,16,18,029	55,02,45,665
Closing Balance	174,97,43,206	102,81,25,177
Reserve for social / philanthropic causes & investor centric initiatives		
Opening Balance	2,59,77,074	2,59,77,074
Less : Utilised during the Year	2,59,77,074	—
Closing Balance	—	2,59,77,074
Surplus in Statement of Profit and Loss		
Opening Balance	1239,81,39,304	1023,26,34,879
Add : Profit for the Year	721,61,80,285	550,24,56,650
Less : Appropriations :		
General Reserve	72,16,18,029	55,02,45,665
Interim Equity Dividend Paid	336,88,83,200	231,53,54,800
Tax Paid on Interim Equity Dividend	68,58,25,360	47,13,51,760
Closing Balance	1483,79,93,000	1239,81,39,304
Total	2054,69,09,606	1397,77,23,455

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 3

LONG-TERM PROVISIONS

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
Provision for Employee Benefits (compensated absences)	77,82,367	80,41,813
Total	77,82,367	80,41,813

Note 4

TRADE PAYABLES

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
Outstanding dues of Small Enterprises and Micro Enterprises	—	—
Outstanding dues of creditors other than Small Enterprises and Micro Enterprises	111,57,56,585	96,06,25,034
Total	111,57,56,585	96,06,25,034

Note 5

OTHER CURRENT LIABILITIES

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
Statutory Dues	28,52,03,192	6,74,31,867
Employee Benefits	59,31,63,613	58,87,56,273
Other Dues	10,35,14,569	14,07,37,173
Total	98,18,81,374	79,69,25,313

Note 6

SHORT-TERM PROVISIONS

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
Provision for Employee Benefits (compensated absences)	11,16,349	9,63,022
Total	11,16,349	9,63,022

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 7 FIXED ASSETS

	GROSS BLOCK				DEPRECIATION / AMORTIZATION				NET BLOCK
	As at March 31, 2017	Additions	Deductions	As at March 31, 2018	As at March 31, 2017	For the Year	Deductions	As at March 31, 2018	As at March 31, 2018
PROPERTY, PLANT AND EQUIPMENT									
Buildings	4,99,57,691	—	—	4,99,57,691	65,61,858	9,99,154	—	75,61,012	4,23,96,679
Furniture & Fixtures	5,29,79,307	69,69,000	30,62,758	5,68,85,549	3,80,47,952	77,78,833	30,62,758	4,27,64,027	1,41,21,522
Vehicles	5,20,41,414	95,71,148	86,21,551	5,29,91,011	2,20,53,451	1,25,27,309	86,21,551	2,59,59,209	2,70,31,802
Office Equipment	18,63,04,126	2,05,22,325	84,03,034	19,84,23,417	15,03,36,546	1,46,49,503	83,93,376	15,65,92,673	4,18,30,744
Computer Equipment	16,95,87,550	4,39,75,232	45,30,943	20,90,31,839	13,30,55,162	2,68,85,205	45,30,943	15,54,09,424	5,36,22,415
Electrical Installations	67,16,075	—	—	67,16,075	33,40,951	9,59,439	—	43,00,390	24,15,685
Improvement of Rented Premises	40,66,35,147	2,80,66,539	75,29,371	42,71,72,315	34,44,55,299	2,58,02,095	75,29,371	36,27,28,023	6,44,44,292
Total	92,42,21,310	10,91,04,244	3,21,47,657	100,11,77,897	69,78,51,219	8,96,01,538	3,21,37,999	75,53,14,758	24,58,63,139
INTANGIBLE ASSETS									
Goodwill	75,16,53,266	—	—	75,16,53,266	69,12,97,426	83,34,516	—	69,96,31,942	5,20,21,324
Computer Software	14,78,05,710	2,14,26,376	—	16,92,32,086	12,27,09,871	1,64,67,158	—	13,91,77,029	3,00,55,057
Total	89,94,58,976	2,14,26,376	—	92,08,85,352	81,40,07,297	2,48,01,674	—	83,88,08,971	8,20,76,381

	GROSS BLOCK				DEPRECIATION / AMORTIZATION				NET BLOCK
	As at March 31, 2016	Additions	Deductions	As at March 31, 2017	As at March 31, 2016	For the Year	Deductions	As at March 31, 2017	As at March 31, 2017
PROPERTY, PLANT AND EQUIPMENT									
Buildings	4,99,57,691	—	—	4,99,57,691	55,62,704	9,99,154	—	65,61,858	4,33,95,833
Furniture & Fixtures	5,00,29,823	46,62,885	17,13,401	5,29,79,307	3,19,99,395	77,61,958	17,13,401	3,80,47,952	1,49,31,355
Vehicles	4,02,81,897	1,65,94,862	48,35,345	5,20,41,414	1,58,05,121	1,03,09,119	40,60,789	2,20,53,451	2,99,87,963
Office Equipment	17,50,77,016	1,94,27,909	82,00,799	18,63,04,126	14,70,63,496	1,14,73,849	82,00,799	15,03,36,546	3,59,67,580
Computer Equipment	15,60,66,628	2,43,36,327	1,08,15,405	16,95,87,550	12,23,66,322	2,14,00,513	1,07,11,673	13,30,55,162	3,65,32,388
Electrical Installations	67,16,075	—	—	67,16,075	23,81,512	9,59,439	—	33,40,951	33,75,124
Improvement of Rented Premises	37,94,10,655	3,34,41,826	62,17,334	40,66,35,147	30,46,51,085	4,60,21,548	62,17,334	34,44,55,299	6,21,79,848
Total	85,75,39,785	9,84,63,809	3,17,82,284	92,42,21,310	62,98,29,635	9,89,25,580	3,09,03,996	69,78,51,219	22,63,70,091
INTANGIBLE ASSETS									
Goodwill	75,16,53,266	—	—	75,16,53,266	68,29,62,910	83,34,516	—	69,12,97,426	6,03,55,840
Computer Software	12,56,00,967	2,22,54,743	50,000	14,78,05,710	11,03,84,249	1,23,75,622	50,000	12,27,09,871	2,50,95,839
Total	87,72,54,233	2,22,54,743	50,000	89,94,58,976	79,33,47,159	2,07,10,138	50,000	81,40,07,297	8,54,51,679

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 8

NON-CURRENT INVESTMENTS (Non Trade, At Cost)

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
Investment in Equity Shares		
5,00,000 (Previous Year 5,00,000) fully paid up Equity Shares of ₹ 1 each of MF Utilities India Private Limited	5,00,000	5,00,000
804 (Previous Year NIL) fully paid up Equity Shares of ₹ 10 each of National Investment and Infrastructure Fund Limited	18,22,153	—
10 (Previous Year NIL) fully paid up Equity Shares of ₹ 10 each of Medgenome Labs Limited	25,920	—
Investment in Preference Shares		
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 30,00,000) 8.15% Cumulative Redeemable Preference Shares of ₹ 100 each of L&T Finance Holdings Limited	30,00,00,000	30,00,00,000
Investment in Bonds and Debentures		
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
49,896 (Previous Year NIL) Compulsorily Convertible Debentures ₹ 1,000 each of Medgenome Labs Limited	4,98,96,000	—
15,00,000 (Previous Year NIL) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 1,000 each of National Bank for Agriculture and Rural Development (NABARD)	164,90,26,791	—
5,00,000 (Previous Year NIL) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 1,000 each of Indian Railways Finance Corporation (IRFC)	54,89,96,067	—
2,50,000 (Previous Year NIL) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 1,000 each of NHPC Limited	31,08,22,431	—
2,50,000 (Previous Year NIL) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 1,000 each of NTPC Limited	31,07,32,771	—

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 8 (Continued)

NON-CURRENT INVESTMENTS (Non Trade, At Cost)

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
2,50,000 (Previous Year NIL) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 1,000 each of Housing and Urban Development Corporation Limited (HUDCO)	27,74,75,555	—
250 (Previous Year NIL) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 10,00,000 each of Power Finance Corporation Limited (PFC)	26,38,34,558	—
2,50,000 (Previous Year NIL) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 1,000 each of Indian Railways Finance Corporation (IRFC)	26,00,79,911	—
5,00,000 (Previous Year NIL) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 1,000 each of National Highways Authority of India (NHAI)	54,99,11,594	—
1,50,460 (Previous Year NIL) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 1,000 each of Rural Electrification Corporation Limited (REC)	15,65,22,078	—
2,50,000 (Previous Year NIL) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 1,000 each of Indian Renewable Energy Development Agency Limited (IREDA)	27,38,91,105	—
Investment in Schemes of Mutual Fund		
2,405 Units (Previous Year 2,405) of ₹ 1,000 each in HDFC Cash Management Fund - Call Plan - Direct Plan - Growth Option	50,00,000	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
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

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 8 (Continued)

NON-CURRENT INVESTMENTS (Non Trade, At Cost)

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
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 Regular Savings Fund - 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 1,929) of ₹ 1,000 each in HDFC Liquid Fund - Direct Plan - Growth Option	50,00,000	50,00,000

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 8 (Continued)

NON-CURRENT INVESTMENTS (Non Trade, At Cost)

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
1,823 Units (Previous Year 1,823) of ₹ 1,000 each in HDFC Cash Management Fund - Savings Plan - Direct Plan - Growth Option	50,00,000	50,00,000
2,000 Units (Previous Year 2,000) of ₹ 100 each in HDFC Gold Exchange Traded Fund - Growth Option	54,10,198	54,10,198
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 4,18,022) of ₹ 10 each in HDFC Annual Interval Fund - Series 1 - Plan B - Direct Plan - Growth Option	—	50,00,000
1,999 Units (Previous Year 1,999) of ₹ 2,641.50 each in HDFC Sensex ETF	50,04,716	50,04,716
6,574 Units (Previous Year 6,574) of ₹ 794.10 each in HDFC Nifty ETF	50,04,458	50,04,458
5,00,000 Units (Previous Year 5,00,000) of ₹ 10 each in HDFC Retirement Savings Fund - Equity Plan - Direct Plan - Growth Option	50,00,000	50,00,000
5,00,000 Units (Previous Year 5,00,000) of ₹ 10 each in HDFC Retirement Savings Fund - Hybrid - Equity Plan - Direct Plan - Growth Option	50,00,000	50,00,000
5,00,000 Units (Previous Year 5,00,000) of ₹ 10 each in HDFC Retirement Savings Fund - Hybrid - Debt Plan - Direct Plan - Growth Option	50,00,000	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
1,14,931 Units (Previous Year 59,544) of ₹ 10 each in HDFC Children's Gift Fund - Direct Plan (erstwhile HDFC Children's Gift Fund - Investment Plan - Direct Plan - till Sep 2017) (See note 20.13)	1,13,81,431	50,00,000
NIL Units (Previous Year 1,39,087) of ₹ 10 each in HDFC Children's Gift Fund - Savings Plan - Direct Plan (See note 20.13)	—	50,00,000

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 8 (Continued)

NON-CURRENT INVESTMENTS (Non Trade, At Cost)

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
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
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 Cap Fund - Direct Plan - Growth Option	50,00,000	50,00,000
Investment in Venture Capital Fund		
1,27,458 Units (Previous Year 1,45,741) of ₹ 1,000 each in Faering Capital India Evolving Fund (Class A)	12,74,57,902	14,57,40,417

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 8 (Continued)

NON-CURRENT INVESTMENTS (Non Trade, At Cost)

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
Investment in Alternative Investment Fund		
75,000 Units (Previous Year 75,000) of ₹ 1,000 each in Faering Capital India Evolving Fund II (Class A)	7,50,00,000	7,50,00,000
1,227 Units (Previous Year 914) of ₹ 1,00,000 each in Investment Jhelum Investment Fund I	12,39,50,000	9,14,00,000
438 Units (Previous Year NIL) of ₹ 1,00,000 each in National Investment and Infrastructure Fund (Class A)	4,37,63,171	-
Total Non-Current Investments	639,54,32,010	168,79,82,989
Aggregate of Quoted Investments		
Book Value	504,66,35,433	45,03,42,572
Market Value	461,91,45,103	47,78,70,825
Aggregate of Unquoted Investments		
Book Value	134,87,96,577	123,76,40,417

Note 9

DEFERRED TAX (see note 20.6)

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
Deferred Tax Asset	10,03,32,066	9,49,32,309
Deferred Tax Liability	(30,08,762)	(14,01,141)
Total	9,73,23,304	9,35,31,168

Note 10

LONG-TERM LOANS AND ADVANCES

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
Unsecured, Considered good		
— Capital Advances	1,56,63,042	2,59,08,743
— Security Deposits	13,52,49,931	12,28,97,228
— Prepaid Expenses	17,80,10,593	23,65,11,699
— Advance Payment of Taxes (Net of Provision)	28,77,47,677	32,90,33,918
Total	61,66,71,243	71,43,51,588

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 11

CURRENT INVESTMENTS (Non Trade)

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
Investment in Schemes of Mutual Fund (Valued at Cost and Fair Value, whichever is lower)		
NIL Units (Previous Year 13,94,413) of ₹ 10 each in HDFC Cash Management Fund - Treasury Advantage Plan - Direct Plan - Growth Option	—	4,94,00,000
NIL Units (Previous Year 2,54,03,045) of ₹ 10 each in HDFC Floating Rate Income Fund - Long Term Plan - Direct Plan - Growth Option	—	51,90,60,980
NIL Units (Previous Year 3,88,53,139) of ₹ 10 each in HDFC Short Term Opportunities Fund - Direct Plan - Growth Option	—	49,22,12,446
17,64,09,273 Units (Previous Year 8,80,92,815) of ₹ 10 each in HDFC Corporate Debt Opportunities Fund - Direct Plan - Growth Option	239,62,48,116	110,00,00,000
1,52,41,114 Units (Previous Year 2,42,51,440) of ₹ 10 each in HDFC Regular Savings Fund - Direct Plan - Growth Option (erstwhile HDFC Short Term Plan - Direct Plan - Growth Option)	46,50,56,290	73,99,90,810
11,27,40,000 Units (Previous Year 11,27,40,000) of ₹ 10 each in HDFC FMP 1114D March 2016 (1) - Direct Plan - Growth Option	112,74,00,000	112,74,00,000
1,82,14,162 Units (Previous Year 1,82,14,162) of ₹ 10 each in HDFC Medium Term Opportunities Fund - Direct Plan - Growth Option	30,00,00,000	30,00,00,000
8,00,00,000 Units (Previous Year 8,00,00,000) of ₹ 10 each in HDFC FMP 1107D March 2016 (1) - Direct Option - Growth Option	80,00,00,000	80,00,00,000
43,74,06,022 Units (Previous Year 19,41,22,319) of ₹ 10 each in HDFC Arbitrage Fund - Wholesale Plan - Direct Plan - Normal Dividend	471,14,96,243	207,80,20,644
5,00,00,000 Units (Previous Year 5,00,00,000) of ₹ 10 each in HDFC FMP 1218D Dec 2016 (1) - Direct Plan - Growth Option	50,00,00,000	50,00,00,000
3,00,00,000 Units (Previous Year 3,00,00,000) of ₹ 10 each in HDFC FMP 1199D Jan 2017(1) - Direct Plan - Growth Option	30,00,00,000	30,00,00,000
4,00,00,000 Units (Previous Year 4,00,00,000) of ₹ 10 each in HDFC FMP 1178D Feb 2017(1) - Direct Plan - Growth Option	40,00,00,000	40,00,00,000
4,00,00,000 Units (Previous Year 4,00,00,000) of ₹ 10 each in HDFC FMP 1170D Feb 2017(1) - Direct Plan - Growth Option	40,00,00,000	40,00,00,000
50,00,000 Units (Previous Year 50,00,000) of ₹ 10 each in HDFC Charity Fund for Cancer Cure - Arbitrage Plan - Dividend Option	5,00,00,000	5,00,00,000
50,00,000 Units (Previous Year 50,00,000) of ₹ 10 each in HDFC Charity Fund for Cancer Cure - Debt Plan - Dividend Option	5,00,00,000	5,00,00,000
NIL Units (Previous Year 7,54,79,673) of ₹ 10 each in HDFC Banking and PSU Debt Fund - Direct Plan - Growth Option	—	100,00,00,000

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 11

CURRENT INVESTMENTS (Non Trade)

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
2,30,97,051 Units (Previous Year NIL) of ₹ 10 each in HDFC Floating Rate Income Fund - Short Term Plan - Direct Plan - Growth Option	70,00,00,000	—
16,12,973 Units (Previous Year 16,12,973) of ₹ 10 each in HDFC Dynamic PE Ratio Fund of Funds - Direct Plan - Growth Option	2,25,00,000	2,25,00,000
8,70,225 Units (Previous Year NIL) of ₹ 1,000 each in HDFC Liquid Fund - Direct Plan (Dividend Plan)	88,74,72,631	—
NIL Units (Previous Year 2,33,837) of ₹ 10 each in HDFC Liquid Fund - Direct Plan - Growth Option	—	75,00,00,000
Total Current Investments	1311,01,73,280	1067,85,84,880
Aggregate of Investments in Quoted Mutual Funds		
Book Value	362,74,00,000	362,74,00,000
Market Value	362,74,00,000	362,74,00,000
Aggregate of Investments in Unquoted Mutual Funds		
Book Value	948,27,73,280	705,11,84,880

Note 12

TRADE RECEIVABLES

(Unsecured, Considered good)

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
Investment Management Fee Receivable (less than six months)	76,06,45,466	43,54,86,055
Portfolio Management Fee & Other Advisory Services Receivable		
— Over six months	86,355	2,54,255
— Others	14,20,47,367	41,51,68,244
	14,21,33,722	41,54,22,499
Total	90,27,79,188	85,09,08,554

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 13

CASH AND BANK BALANCES

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
Cash and Cash Equivalents		
— Balances with Banks	1,95,41,878	1,16,30,854
Other Bank Balances		
— In Deposit Account (security against bank guarantee)	11,25,252	11,08,645
Total	2,06,67,130	1,27,39,499

Note 14

SHORT-TERM LOANS AND ADVANCES

(Unsecured, Considered good)

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
Prepaid Expenses		
— Related Parties	1,17,39,248	57,76,649
— Others	177,41,51,388	154,29,42,755
	178,58,90,636	154,87,19,404
Service Tax / GST Credit Receivable	14,79,77,319	1,36,49,774
Other Receivables		
— Related Parties	7,05,59,481	1,58,41,683
— Others	5,02,49,239	4,93,03,360
	12,08,08,720	6,51,45,043
Total	205,46,76,675	162,75,14,221

Note 15

OTHER CURRENT ASSETS

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
Interest accrued on Fixed Deposit	14,488	12,371
Interest accrued on Bonds	12,09,13,128	1,85,00,597
Total	12,09,27,616	1,85,12,968

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 16

REVENUE FROM OPERATIONS

	For the Year ended March 31, 2018 ₹	For the Year ended March 31, 2017 ₹
Investment Management Fee	1736,47,90,783	1428,45,34,001
Portfolio Management Fee & Other Advisory Services	23,27,22,259	51,58,22,589
Total	1759,75,13,042	1480,03,56,590

Note 17

OTHER INCOME

	For the Year ended March 31, 2018 ₹	For the Year ended March 31, 2017 ₹
Interest Income:		
— From Non-Current Investments (net)	4,84,05,791	3,49,66,690
— From Others	72,110	15,081
Dividend Income:		
— From Current Investments	27,09,23,135	11,91,43,475
— From Non-Current Investments	2,58,30,780	6,29,94,000
Net Gain / (Loss) on Sale of Investments		
— Non-Current Investments	3,16,62,041	6,27,32,024
— Current Investments	69,55,60,873	60,18,13,604
Others		
— Utilisation / Reversal of Provision for Contingencies	—	15,00,00,000
— Reversal of Diminution in the Value of Current Investments	—	8,70,360
— Miscellaneous Income	25,02,140	4,62,15,967
Total	107,49,56,870	107,87,51,201

Note 18

EMPLOYEE BENEFITS EXPENSE

	For the Year ended March 31, 2018 ₹	For the Year ended March 31, 2017 ₹
Salaries, Allowances and Bonus	163,62,29,642	145,48,56,052
Contribution to Provident and Other Funds	8,15,11,685	9,29,85,926
Staff Welfare and Training Expenses	3,17,43,054	2,76,75,457
Total	174,94,84,381	157,55,17,435

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 19

OTHER EXPENSES

	For the Year ended March 31, 2018 ₹	For the Year ended March 31, 2017 ₹
Brokerage / Incentives / Fees / Mutual Fund Expenses	368,69,15,379	419,27,61,568
Business Promotion	78,48,67,199	52,00,33,072
Rent	35,59,36,298	31,45,14,981
Repair and Maintenance	19,58,90,563	17,33,80,350
Insurance Expenses	2,79,59,236	2,45,72,715
Rates and Taxes	16,64,992	28,88,457
Printing and Courier	28,94,45,141	22,58,03,146
Travel and Conveyance	7,09,56,121	6,46,96,287
Communication Expenses	4,54,95,965	3,93,41,915
Subscription and Membership Fees	7,89,65,318	6,73,62,553
Professional and Legal Fees	8,76,69,316	9,96,31,937
Electricity Charges	5,36,51,984	4,75,72,551
Outsourced Services Cost	19,94,73,944	15,92,45,585
Auditors Remuneration:		
Audit Fee	12,00,000	15,00,000
Audit Fee - PMS Business	3,75,000	3,00,000
Tax Audit Fee	1,50,000	1,00,000
Other Services	29,94,100	7,16,860
	47,19,100	26,16,860
Directors Sitting Fees	1,82,73,500	1,44,72,000
Loss on Foreign Exchange Translation (net)	15,70,199	1,82,61,409
Donations	2,50,000	12,50,000
Corporate Social Responsibility expense as per Section 135 (5) of the Companies Act, 2013 (see note 20.12)	14,38,78,414	12,33,44,500
Miscellaneous Expenses	13,58,30,115	9,41,91,487
Total	618,34,12,784	618,59,41,373

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 20

20.1 Employee Benefits

In accordance with the Accounting Standard on "Employee Benefits" (AS-15) (Revised 2005) notified under Section 133 of the Act, 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	5,23,22,888	4,45,34,787

B) Defined Benefit Plan

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

Contribution to Gratuity Fund (Funded Scheme)

(Amount in ₹)

Particulars	Current Year	Previous Year
Change in the Defined Benefit Obligations:		
Liability at the beginning of the Year	21,84,11,521	17,85,11,782
Current Service Cost	2,30,53,808	1,69,80,487
Interest Cost	1,58,56,676	1,42,45,240
Benefits Paid	(69,25,390)	(1,53,20,210)
Actuarial (Gain) / Loss	(23,85,777)	2,39,94,222
Liability at the end of the Year	24,80,10,838	21,84,11,521

Fair Value of Plan Assets:	Current Year	Previous Year
Fair Value of Plan Assets at the beginning of the Year	17,38,32,908	13,71,50,823
Expected Return on Plan Assets	1,26,20,269	1,09,44,636
Contributions	4,45,78,613	4,13,60,959
Benefits Paid	(69,25,390)	(1,53,20,210)
Actuarial Gain / (Loss) on Plan Assets	(15,71,762)	(3,03,300)
Fair Value of Plan Assets at the end of the Year	22,25,34,638	17,38,32,908

Actual Return on Plan Assets:	Current Year	Previous Year
Expected Return on Plan Assets	1,26,20,269	1,09,44,636
Actuarial Gain / (Loss) on Plan Assets	(15,71,762)	(3,03,300)
Actual Return on Plan Assets	1,10,48,507	1,06,41,336

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 20 (Continued)

(Amount in ₹)

Amount Recognized in the Balance Sheet:	Current Year	Previous Year
Liability at the end of the Year	24,80,10,838	21,84,11,521
Fair Value of Plan Assets at the end of the Year	22,25,34,638	17,38,32,908
Amount recognized in the Balance Sheet as Liability	2,54,76,200	4,45,78,613

Expense Recognized in the Statement of Profit and Loss:	Current Year	Previous Year
Current Service Cost	2,30,53,808	1,69,80,487
Interest Cost	1,58,56,676	1,42,45,240
Expected Return on Plan Assets	(1,26,20,269)	(1,09,44,636)
Net Actuarial (Gain) / Loss to be Recognized	(8,14,015)	2,42,97,522
Expense recognized in the Statement of Profit and Loss under 'Employee Benefits Expenses'	2,54,76,200	4,45,78,613

Reconciliation of the Liability Recognized in the Balance Sheet:	Current Year	Previous Year
Opening Net Liability	4,45,78,613	4,13,60,959
Expense recognized	2,54,76,200	4,45,78,613
Contribution by the Company	(4,45,78,613)	(4,13,60,959)
Amount recognized in the Balance Sheet as Liability	2,54,76,200	4,45,78,613

Net Actuarial (Gain) / Loss Recognized	Current Year	Previous Year
Actuarial (Gain) / Loss on Plan Assets	15,71,762	3,03,300
Actuarial (Gain) / Loss on Defined Benefit Obligation	(23,85,777)	2,39,94,222
Net Actuarial (Gain) / Loss Recognized	(8,14,015)	2,42,97,522

Particulars	2017-18	2016-17	2015-16	2014-15	2013-14
Liability at the end of the year	24,80,10,838	21,84,11,521	17,85,11,782	13,84,44,765	8,57,61,032
Fair Value of Plan Assets at the end of the year	22,25,34,638	17,38,32,908	13,71,50,823	8,53,77,969	7,61,09,128
Amount recognized in the Balance Sheet as liability	2,54,76,200	4,45,78,613	4,13,60,959	5,30,66,796	96,51,904
Experience Adjustment:					
(Gains) / Losses on Plan Liabilities	37,29,222	1,43,61,047	1,65,23,496	53,82,763	81,53,498
(Gains) / Losses on Plan Assets	15,71,762	3,03,300	(21,39,815)	(1,68,333)	(7,50,540)
Estimated Contribution for next year	3,68,77,859	3,22,73,767	2,60,47,685	2,29,69,646	2,06,94,977

Investment Pattern:

(% invested)

Particulars	Current Year	Previous Year
Money Market Instruments and Public Deposits	100	100

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 20 (Continued)

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	7.71% p.a.	7.26% p.a.
Return on Plan Assets	7.71% p.a.	7.26% p.a.
Compensation Escalation Rate	6.00% p.a.	6.00% p.a.
Average Age	33.68 Years	34.34 Years
Mortality Basis	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)

20.2 Segmental Reporting

In accordance with the Accounting Standard on “Segment Reporting” (AS-17) notified under Section 133 of the Act, 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) and Other Advisory Services to Corporates and High Net Worth Individuals. Accordingly, the Company has recognized ‘Mutual Fund’ and ‘Portfolio Management & Other Advisory’ 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 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.

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 20 (Continued)

(Amount in ₹)

	Mutual Fund		Portfolio Management & Other Advisory		Total	Total
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Segment Revenue						
Management Fees	1736,47,90,783	1428,45,34,001	23,27,22,259	51,58,22,589	1759,75,13,042	1480,03,56,590
Inter Segment Revenue	—	—	—	—	—	—
Total Segment Revenue	1736,47,90,783	1428,45,34,001	23,27,22,259	51,58,22,589	1759,75,13,042	1480,03,56,590
Identifiable Operating Expenses	693,98,03,092	681,11,69,550	14,56,49,655	20,74,72,507	708,54,52,747	701,86,42,057
Segmental Operating Income	1042,49,87,691	747,33,64,451	8,70,72,604	30,83,50,082	1051,20,60,295	778,17,14,533
Unallocable Expenses					96,18,47,630	86,24,52,469
Operating Income					955,02,12,665	691,92,62,064
Other Income					107,49,56,870	107,87,51,201
Profit Before Tax					1062,51,69,535	799,80,13,265
Provision For Income Tax					341,27,81,386	245,01,89,103
Deferred Tax Expense					(37,92,136)	4,53,67,512
Profit After Tax					721,61,80,285	550,24,56,650
Segment Assets And Liabilities						
Segment Assets	289,16,50,562	241,28,21,947	20,44,80,420	45,99,69,622	309,61,30,982	287,27,91,569
Unallocated Assets					2061,00,91,299	1312,31,56,068
Total Assets					2370,62,22,281	1599,59,47,637
Segment Liabilities	188,57,12,614	138,51,47,140	7,21,26,133	14,93,84,048	195,78,38,747	153,45,31,188
Unallocated Liabilities					14,86,97,928	23,20,23,994
Total Liabilities					210,65,36,675	176,65,55,182
Capital Expenditure	—	—	—	—	13,05,30,620	12,07,18,552
Depreciation	—	—	—	—	11,44,03,212	11,96,35,718

20.3 Related Party Transactions

As per the Accounting Standard on “Related Party Disclosures” (AS-18) notified under Section 133 of the Act, the related parties of the Company, with whom the Company has entered into a transaction are as follows:

- | | | |
|--|---|---|
| A) Holding Company | : | Housing Development Finance Corporation Limited |
| B) Investing Party | : | Standard Life Investments Limited |
| C) Fellow Subsidiaries where Company has transactions during the year or previous year | : | HDFC Trustee Company Limited
HDFC Standard Life Insurance Company Limited
HDFC ERGO General Insurance Company Limited
HDFC Realty Limited (upto 24 January, 2018)
HDFC Capital Advisors Limited |
| D) Key Management Personnel | : | Mr. Milind Barve, Managing Director |

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 20 (Continued)

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

(Figures in bracket pertain to the Previous Year):

(Amount in ₹)

Particulars	Holding Company	Investing Party	Fellow Subsidiaries^
INCOME			
Management Fees	—	1,91,24,358	—
	—	(86,94,117)	—
EXPENDITURE			
Rent	12,30,86,628	—	—
	(11,75,31,309)	—	—
Technology Support Cost	1,84,59,078	—	—
	(1,74,91,360)	—	—
Administrative & Other Expenses	2,12,76,958	—	—
	(3,17,59,274)	—	—
Insurance Premium	—	—	99,32,783
	—	—	(90,00,141)
Brokerage Charges	—	—	43,000
	—	—	(4,23,000)

Reimbursement of expenses amounting to ₹ 20,07,850 received (Previous Year ₹ Nil) from the Holding Company respectively is not considered above.

(Amount in ₹)

Particulars	Holding Company	Investing Party	Fellow Subsidiaries^
ASSETS			
Account Receivable	1,72,03,040	3,91,07,478	1,95,93,710
	—	(28,20,524)	(1,58,41,683)
Prepaid Insurance Premium	—	—	1,17,39,248
	—	—	(57,76,649)
LIABILITIES			
Account Payable	1,61,68,020	—	—
	(44,80,000)	—	—
OTHER TRANSACTIONS			
Purchase of Fixed Assets	7,00,000	—	51,791
	(25,00,000)	—	—
Interim Equity Dividend Paid	193,23,64,800	128,82,43,200	—
	(138,88,87,200)	(92,59,24,800)	—
Sale of Fixed Assets	—	—	—
	—	—	(1,16,244)

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 20 (Continued)

^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 Capital Advisors Limited	HDFC ERGO General Insurance Company Limited
Insurance Premium	—	—	39,89,139	—	59,43,644
	—	—	(30,09,116)	—	(59,91,025)
Brokerage Charges	43,000	—	—	—	—
	(4,23,000)	—	—	—	—
Account Receivable	—	1,50,20,092	45,73,618	—	—
	—	(1,57,74,054)	(67,629)	—	—
Prepaid Insurance Premium	—	—	1,46,748	—	1,15,92,500
	—	—	(33,006)	—	(57,43,643)
Purchase of Fixed Assets	—	—	—	—	51,791
	—	—	—	—	—
Sale of Fixed Assets	—	—	—	—	—
	—	—	—	(1,16,244)	—

Amount receivable from HDFC Trustee Company Limited is towards reimbursement of expenses.

(Amount in ₹)

Particulars	Current Year	Previous Year
Remuneration to Key Management Personnel	7,04,94,633	6,73,35,392
Interim Equity Dividend Paid	1,66,40,000	Nil

The above remuneration excludes perquisite value of ₹ 21,03,95,000 (Previous Year ₹ Nil) towards the value of stock options exercised which were granted under Employees Stock Option Scheme 2012 - Series I & Employees Stock Option Scheme 2015 - Series I.

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 ₹ 1,51,44,745 (Previous Year ₹ 2,72,03,612). The future lease payments in respect of the above are as follows:

(Amount in ₹)

Particulars	Current Year	Previous Year
Not later than one year	2,31,06,628	1,96,28,273
Later than one year but not later than five years	1,66,53,127	1,13,59,704

20.5 Earnings Per Equity Share

In accordance with the Accounting Standard on "Earnings Per Share" (AS-20) notified under Section 133 of the Act:

- The basic earnings per equity share has been calculated based on the net profit after tax of ₹ 721,61,80,285 (Previous Year ₹ 550,24,56,650) and 20,60,33,611 (Previous Year 20,13,24,608) number of weighted average equity shares outstanding during the year.

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 20 (Continued)

(ii) Following is the reconciliation between basic and diluted earnings per equity share:

(Amount in ₹)

Particulars	Current Year	Previous Year
Nominal value per share	5.00	5.00
Basic earnings per share	35.02	27.33
Effect of potential equity shares for stock options (per share)	(0.06)	(0.28)
Diluted earnings per share	34.96	27.05

(iii) Basic earnings per equity share has been computed by dividing net profit after tax by the weighted average number of equity shares outstanding during 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:

(Amount in ₹)

Particulars	Current Year	Previous Year
Weighted average number of equity shares used in computing basic earnings per equity share	20,60,33,611	20,13,24,608
Effect of potential equity shares for stock options outstanding	3,63,533	20,55,352
Weighted average number of equity shares used in computing diluted earnings per equity share	20,63,97,144	20,33,79,960

The shareholders of the Company had, at the Extraordinary General Meeting (EGM) held on February 06, 2018, accorded their consent to the following:

1. Increase in the authorized share capital of the Company from ₹ 80,00,00,000 divided into 3,00,00,000 equity shares of ₹ 10 each and 5,00,00,000 preference shares of ₹ 10 each to ₹ 350,00,00,000 divided into 30,00,00,000 equity shares of ₹ 10 each and 5,00,00,000 preference shares of ₹ 10 each.
2. Issue and allotment of bonus shares in the ratio of 3 equity shares of ₹ 10 each for every 1 equity share of ₹ 10 each. The record date for the issue of bonus shares was February 05, 2018.
3. Sub division of the authorized and issued share capital of the Company by decreasing the face value of the equity share from ₹ 10 each to ₹ 5 each. The record date for the sub division was February 13, 2018.
4. Accordingly, the revised authorised share capital of the Company now stands at ₹ 350,00,00,000 divided into 60,00,00,000 equity shares of ₹ 5 each and 5,00,00,000 preference shares of ₹ 10/- each and issued, subscribed and paid up share capital at ₹ 105,27,76,000 comprising of 21,05,55,200 equity shares of ₹ 5/- each.

Under the bonus issue and the share split, equity shares were issued to existing shareholders for no additional consideration and hence, the number of equity shares outstanding increased without an increase in resources. As per AS-20, the number of equity shares outstanding before such event is to be adjusted for the proportionate change in the number of equity shares outstanding as if such event had occurred at the beginning of the earliest period reported. Pursuant to the shareholders' consent to the issue of bonus equity shares and sub division of the equity shares (hereinafter referred to as the 'corporate action') at the EGM mentioned above, number of equity shares outstanding during the previous year, which were considered for the computation of Basic earnings per share (as reported and pro forma) and Diluted earnings per share (as reported and pro forma) have been adjusted in the financial statements.

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 20 (Continued)

20.6 Deferred Tax

In compliance with the Accounting Standard on "Accounting for Taxes on Income" (AS-22) notified under Section 133 of the Act, the Company has made net deferred tax adjustment of ₹ 37,92,136 (Previous Year ₹ 4,53,67,512) as per details given below. The amount has been credited (Previous Year debited) to the Statement of Profit and Loss.

(Amount in ₹)

Description	As on March 31, 2017	For the Year	As on March 31, 2018
Assets			
Depreciation	8,94,73,080	47,40,543	9,42,13,623
Others	54,59,229	6,59,214	61,18,443
Total	9,49,32,309	53,99,757	10,03,32,066
Liabilities			
Others	14,01,141	16,07,621	30,08,762
Net Deferred Tax Asset	9,35,31,168	37,92,136	9,73,23,304

20.7 Contingent Liabilities and Commitments

- Disputed Income Tax demand ₹ 64,25,409 (Previous Year ₹ 26,55,623).
- Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ 59,85,10,280 (Previous Year ₹ 41,69,36,912).

20.8 Sundry Creditors

Sundry Creditors do not include any amount payable to Small Scale Industrial Undertakings and Micro, Small and Medium Enterprises. Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMEDA) which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of the information and records available with the management, the following disclosures are made for the amounts due to the Micro, Small and Medium enterprises, which have registered with the competent authorities.

(Amount in ₹)

Particulars	Current Year	Previous Year
Principal amount remaining unpaid to any supplier as at the year end	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

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 20 (Continued)

20.9 Accounting for Employee Share Based Payments

Under Employees Stock Option Scheme 2017 – Series II (ESOS 2017 – Series II), the Company had on 17 January 2018 granted 6,000 stock options at an exercise price of ₹ 7,936/- per option, representing 6,000 equity shares of ₹ 10/- each to few employees of the Company. The fair value of the Company's underlying equity share was determined in accordance with the pricing formula approved by the Nomination & Remuneration Committee of the Board of Directors of the Company ('Nomination & Remuneration Committee') i.e. based on the Price Earning Multiple method and the Assets Under Management (AUM) method.

In terms of ESOS 2017 – Series II, the options vest over a period of 1-2 years from the date of grant. Accordingly, during the period Nil options under ESOS 2017 – Series II vested. The options can be exercised over a period of five years from the date of vesting.

Under Employees Stock Option Scheme 2017 – Series I (ESOS 2017 – Series I), the Company had on 28 July 2017 granted 1,58,875 stock options at an exercise price of ₹5,353/- per option, representing 1,58,875 equity shares of ₹ 10/- each to few employees & directors of the Company. The fair value of the Company's underlying equity share 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 2017 – Series I, the options vest over a period of 1-2 years from the date of grant. Accordingly, during the period Nil options under ESOS 2017 – Series I vested. The options can be exercised over a period of five years from the date of vesting.

Under Employees Stock Option Scheme 2015 – Series III (ESOS 2015 – Series III), the Company had on 16 March 2017 granted 14,000 stock options at an exercise price of ₹ 4,721/- per option, representing 14,000 equity shares of ₹ 10/- each to few employees of the Company. The fair value of the Company's underlying equity share 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 – Series III, the options vest over a period of 1-2 years from the date of grant. Accordingly, during the period 14,000 options under ESOS 2015 – Series III vested. The options can be exercised over a period of five years from the date of vesting.

Under Employees Stock Option Scheme 2015 – Series II (ESOS 2015 – Series II), the Company had on 22 June 2016 granted 7,000 stock options at an exercise price of ₹ 4,078/- per option, representing 7,000 equity shares of ₹ 10/- each to few employees of the Company. The fair value of the Company's underlying equity share 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 – Series II, the options vest over a period of 1-2 years from the date of grant. Accordingly, during the period 7,000 options under ESOS 2015 – Series II vested. The options can be exercised over a period of three years from the date of vesting.

Under Employees Stock Option Scheme 2015 – Series I (ESOS 2015 – Series I), the Company had on 10 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 share 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 – Series I, the options vest over a period of 1-2 years from the date of grant. During the period Nil options under ESOS 2015 – Series I vested. The options can be exercised over a period of three years from the date of vesting.

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 20 (Continued)

Under Employees Stock Option Scheme 2013 – Series I (ESOS 2013 – Series I), the Company had on 26 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 share 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 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. During the period Nil options under ESOS 2013 – Series I 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 14 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 share 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. During the period Nil options under ESOS 2012 – Series I vested. The options can be exercised over a period of five years from the date of respective vesting.

Under Employees Stock Option Scheme 2009 – Series I (ESOS 2009 – Series I), the Company had on 25 August 2009 granted 1,54,000 stock options at an exercise price of ₹ 527/- per option, representing 1,54,000 equity shares of ₹ 10/- each to few employees and directors of the Company. The fair value of the Company's underlying equity share 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 2009 – Series I, the options vest over a period of 1-2 years from the date of grant. The options can be exercised over a period of five years from the date of respective vesting.

Under Employees Stock Option Scheme 2008 – Series I (ESOS 2008 – Series I) and Employees Stock Option Scheme 2008 – Series II (ESOS 2008 – Series II), the Company had on 10 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 share 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. The options can be exercised over a period of five years from the date of respective vesting.

Pursuant to the terms of respective Employees Stock Option Schemes (ESOS), in case of a corporate action like bonus shares, rights issue, buyback of shares, split of shares, reduction of capital etc., the number of options outstanding as at the date of the corporate action and the exercise price under all the relevant ESOS shall stand modified accordingly, so as to ensure that the paid-up value of the total shares that can be issued under them remains unchanged. Accordingly, the Nomination and Remuneration Committee of the Company has resolved, vide its circular resolution passed in February 2018, to make appropriate adjustments to the outstanding options and now each option represents one equity share of ₹ 5/- each.

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 20 (Continued)

Comparison of exercise price per option:

(Amount in ₹)

Name of the Series	Pre corporate action	Post corporate action
ESOS 2008 Series I	390	49
ESOS 2008 Series II	750	94
ESOS 2009 Series I	527	66
ESOS 2012 Series I	2,129	266
ESOS 2012 Series II	2,129	266
ESOS 2013 Series I	2,496	312
ESOS 2015 Series I	3,944	493
ESOS 2015 Series II	4,078	510
ESOS 2015 Series III	4,721	590
ESOS 2017 Series I	5,353	669
ESOS 2017 Series II	7,936	992

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

The Remuneration Committee was renamed as Nomination & Remuneration Committee by the Board of Directors at their meeting held on 16 April, 2014.

Method used for accounting for share based payment plan:

The Company has adopted 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, ESOS 2015 – Series I, ESOS 2015 – Series II, ESOS 2015 – Series III, ESOS 2017 – Series I and ESOS 2017 – Series II 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	Nil	Nil	Nil	2,700	Nil
Granted during the year	Nil	Nil	Nil	Nil	Nil	Nil
Exercised during the year	Nil	Nil	Nil	Nil	2,700	Nil
Lapsed during the year	Nil	Nil	Nil	Nil	Nil	Nil
Addition due to Corporate Action	Nil	Nil	Nil	NA	NA	NA
Outstanding at the end of the year	Nil	Nil	Nil	Nil	Nil	Nil
Exercisable at the end of the year	Nil	Nil	Nil	Nil	Nil	Nil

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Forming part of the Financial Statements for the year ended March 31, 2018

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	1,64,500	Nil	9,000	1,66,500	Nil	9,000
Granted during the year	Nil	Nil	Nil	Nil	Nil	Nil
Exercised during the year	1,64,500	Nil	9,000	Nil	Nil	Nil
Lapsed during the year	Nil	Nil	Nil	2,000	Nil	Nil
Addition due to Corporate Action	Nil	Nil	Nil	NA	NA	NA
Outstanding at the end of the year	Nil	Nil	Nil	1,64,500	Nil	9,000
Exercisable at the end of the year	Nil	Nil	Nil	1,64,500	Nil	9,000

Movement in the options under ESOS 2015:

	No. of Options					
	Current Year			Previous Year		
	ESOS 2015			ESOS 2015		
	Series I	Series II	Series III	Series I	Series II	Series III
Outstanding at the beginning of the year	9,82,000	7,000	14,000	10,00,000	Nil	Nil
Granted during the year	Nil	Nil	Nil	Nil	7,000	14,000
Exercised during the year	9,72,000	7,000	Nil	Nil	Nil	Nil
Lapsed during the year	Nil	Nil	Nil	18,000	Nil	Nil
Addition due to Corporate Action	70,000	Nil	98,000	NA	NA	NA
Outstanding at the end of the year	80,000	Nil	112,000	9,82,000	7,000	14,000
Exercisable at the end of the year	80,000	Nil	112,000	9,82,000	Nil	Nil

Movement in the options under ESOS 2017:

	No. of Options			
	Current Year		Previous Year	
	ESOS 2017		ESOS 2017	
	Series I	Series II	Series I	Series II
Outstanding at the beginning of the year	Nil	Nil	NA	NA
Granted during the year	1,58,875	6,000	NA	NA
Exercised during the year	Nil	Nil	NA	NA
Lapsed during the year	850	Nil	NA	NA
Addition due to Corporate Action	12,64,200	42,000	NA	NA
Lapsed after Corporate Action	2,400	Nil	NA	NA
Outstanding at the end of the year	12,61,800	48,000	NA	NA
Exercisable at the end of the year	Nil	Nil	NA	NA

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 20 (Continued)

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, ESOS 2015 – Series I, ESOS 2015 – Series II, ESOS 2015 – Series III, ESOS 2017 – Series I and ESOS 2017 – Series II as on the date of grant were:

Particulars	ESOS 2008–Series I	ESOS 2008–Series II	ESOS 2009–Series I
Date of grant	10 March 2008	10 March 2008	25 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/-
Fair value of the option post corporate action	₹51/-	₹19/-	₹8/-

Particulars	ESOS 2012–Series I	ESOS 2012–Series II	ESOS 2013–Series I
Date of grant	14 September 2012	14 September 2012	26 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/-
Fair value of the option after corporate action	₹47/-	₹62/-	₹54/-

Particulars	ESOS 2015–Series I	ESOS 2015–Series II	ESOS 2015–Series III
Date of grant	10 December 2015	22 June 2016	16 March 2017
Risk-free interest rate	7.18% p.a.	6.81% p.a.	7.02% p.a.
Expected average life	2.5 Years	2.5 Years	3.5 Years
Expected volatility	0%	0%	0%
Dividend yield	1.77% p.a.	1.80% p.a.	1.80% p.a.
Fair value of the option	₹478/-	₹459/-	₹740/-
Fair value of the option after corporate action	₹60/-	₹57/-	₹93/-

Notes

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Note 20 (Continued)

Particulars	ESOS 2017-Series I	ESOS 2017-Series II
Date of grant	28 July 2017	17 January 2018
Risk-free interest rate	6.66% p.a.	6.97% p.a.
Expected average life	3.5 Years	3.5 Years
Expected volatility	0%	40.67%
Dividend yield	1.86% p.a.	1.86% p.a.
Fair value of the option	₹ 777/-	₹ 2,726/-
Fair value of the option after corporate action	₹ 97/-	₹ 341/-

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 Nomination & Remuneration Committee at its meeting held on 20 July 2016 had approved few modifications, viz; change in nomenclature of Employees Stock Option Scheme 2015 (ESOS 2015) to Employees Stock Option Scheme 2015 – Series I (ESOS 2015 – Series I) and change in the period over which, the options granted under ESOS 2015 – Series I and ESOS 2015 – Series II, can be exercised from the date of their respective vesting.

By virtue of the said modifications, the options granted under ESOS 2015 – Series I and ESOS 2015 – Series II can now be exercised over a period of five years from the date of respective vesting. There was no change in any other parameters of these schemes.

The options thus modified have been fair valued as at 20 July 2016, being the modification date. The key assumptions considered in the pricing model for calculating fair value under ESOS 2015 – Series I and ESOS 2015 – Series II as on the date of modification were:

Particulars	ESOS 2015 – Series I		ESOS 2015 – Series II	
	Original Terms	Modified Terms	Original Terms	Modified Terms
Risk-free interest rate	6.60% p.a.	6.70% p.a.	6.66% p.a.	6.74% p.a.
Expected average life	1.89 Years	2.89 Years	2.42 Years	3.42 Years
Expected volatility	0%	0%	0%	0%
Dividend yield	1.80% p.a.	1.80% p.a.	1.80% p.a.	1.80% p.a.
Fair value of the option	₹ 511/-	₹672/-	₹484/-	₹646/-
Fair value of the option after corporate action	₹ 64/-	₹84/-	₹61/-	₹81/-

The incremental share based compensation determined under fair value method amounts to ₹ 161/- (₹ 20/- post corporate action) per option under ESOS 2015 – Series I and ₹ 162/- (₹ 20/- post corporate action) per option under ESOS 2015 – 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.

The Remuneration Committee at its meeting held on 25 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.

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 20 (Continued)

Comparison of exercise price per option:

(Amount in ₹)

Name of the Series	Pre corporate action	Post corporate action
ESOS 2008 Series I	274	34
ESOS 2008 Series II	527	66

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

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

The options thus modified have been fair valued as at 25 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/-
Fair value of the option after corporate action	₹21/-	₹33/-	₹Nil	₹8/-

The incremental share based compensation determined under fair value method amounts to ₹ 95/- (₹ 12/- post corporate action) per option under ESOS 2008 – Series I and ₹ 66/- (₹ 8/- post corporate action) 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)	721,61,80,285	550,24,56,650
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 ₹ 9,69,27,231; Previous Year ₹ 48,41,13,686) (pro forma)	6,33,82,655	31,65,71,622
Net Profit (pro forma)	715,27,97,630	518,58,85,028

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 20 (Continued)

(Amount in ₹)		
Particulars	Current Year	Previous Year
Basic earning per share (as reported)	35.02	27.33
Basic earning per share (pro forma)*	34.72	25.76
Diluted earning per share (as reported)	34.96	27.05
Diluted earning per share (pro forma)*	34.66	25.50

*Adjusted for corporate action

20.10 Income in Foreign Currency

(Amount in ₹)		
	Current Year	Previous Year
Investment Advisory Fee	14,09,05,730	45,22,42,181
Interest Income	16,615	15,081

20.11 Payments in Foreign Currency

A) Expenditure (on accrual basis)

(Amount in ₹)		
	Current Year	Previous Year
i) Travelling Expenses	5,49,853	7,29,168
ii) Overseas Representative Office Expenses	2,77,17,940	2,34,86,556
iii) Business Promotion	13,36,23,154	6,28,00,000
iv) Subscription	59,85,501	65,86,300
v) Professional Fees	—	5,34,924

B) Dividend

(Amount in ₹)		
	Current Year	Previous Year
Interim Dividend on Equity Shares:		
(a) Year to which the dividend relates	2017-18	2016-17
(b) Number of non-resident shareholders	1	1
(c) Number of Shares held*	8,05,15,200	1,00,64,400
(d) Amount Remitted (Gross)	128,82,43,200	92,59,24,800

*The number of shares have changed in the current year as a result of the corporate action.

20.12 Corporate Social Responsibility Expense

The gross amount required to be spent by the Company during the year towards Corporate Social Responsibility as per Section 135(5) of the Companies Act, 2013 is ₹ 13,54,15,666 (Previous Year ₹ 12,02,14,982). However,

Notes

Forming part of the Financial Statements for the year ended March 31, 2018

Note 20 (Continued)

an amount of ₹ 16,98,55,488 (Previous Year ₹ 12,33,44,500) was spent during the year. Out of the same, ₹ 14,38,78,414 (Previous Year ₹ 12,33,44,500) has been charged to the Statement of Profit and Loss and balance amount of ₹ 2,59,77,074 (Previous Year ₹ Nil) has been utilized from Reserve for social / philanthropic causes & investor centric initiatives.

The said spend was on purposes other than construction / acquisition of any asset.

20.13 Merger of HDFC Children Gift Fund – Saving Plan (“HDFC CGF SP”) into HDFC Children’s Gift Fund – Investment Plan (“HDFC CGF IP”) was approved by Board of Directors of the Company and the Board of Directors of HDFC Trustee Company Limited (Trustees to HDFC Mutual Fund), at their respective board meetings dated 28 April 2017. The aforesaid merger was carried out in compliance with the applicable regulations and guidelines issued under the SEBI (Mutual Funds) Regulations, 1996. Accordingly, the investment in HDFC CGF SP has been merged with that of HDFC CGF IP.

20.14 Pursuant to the approval granted by shareholders, the Company has initiated the Initial Public Offer by way of Offer for Sale subject to regulatory and other approvals. In this connection, the Company has filed a Draft Red Herring Prospectus with SEBI on March 15, 2018.

As per our report attached of even date

For B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration No. 101248W/W-100022

Akeel Master

Partner

Membership No: 046768

Mumbai

April 16, 2018

For and on behalf of the Board of Directors

Deepak S. Parekh

Chairman

(DIN: 00009078)

Milind Barve

Managing Director

(DIN: 00087839)

Piyush Surana

Chief Financial Officer

Sylvia Furtado

Company Secretary

(ACS: 17976)