



EMPOWERED  
*by*  
YOUR TRUST



ASSET MANAGEMENT COMPANY LIMITED

HDFC Asset Management Company Limited  
20<sup>th</sup> Annual Report – 2018-19

# TRUSTED ACROSS GENERATIONS



# HDFC ASSET MANAGEMENT COMPANY LIMITED (HDFC AMC): QUICK FACTS

## MOST PROFITABLE

AMC IN INDIA  
as of March 31, 2018

## LARGEST

MUTUAL FUND MANAGER  
IN INDIA  
in terms of AUM

## LARGEST

ACTIVELY MANAGED  
EQUITY MUTUAL FUND  
MANAGER IN INDIA

## Performance highlights: FY 18-19

### ASSETS UNDER MANAGEMENT (AUM)

₹3,43,938 CRORE  
↑ 17.79% Y-O-Y

### PROFIT AFTER TAX

₹930.60 CRORE  
↑ 30.83% Y-O-Y

### UNIQUE INVESTORS

53 LAKH

### BRANCHES

210

Along with CAMS ISCs, facilitate  
Sales and Service across  
200+ cities in India

### LIVE ACCOUNTS

91 LAKH

Note - All data as of March 31, 2019 unless stated otherwise.  
Source - AMFI, Internal

## Inside this report

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# HDFC AMC AT A GLANCE

**The company today stands stronger than ever, on the foundation of enduring and trustworthy relationships with our distribution partners and customers.**

We enjoy an enduring and trustworthy relationship with our distribution partners and customers, which form the backbone of all our activities and lend us an edge in this highly competitive industry. Industry-leading profitability, strong brand equity, a larger share of the high quality AUM business and a robust distribution network are some of the strengths of our Company. Low mutual fund penetration in India, growing popularity of Systematic Investment Plans (SIPs) as well as increasing financialisation of household savings, rising disposable incomes are facilitating the industry's growth. Given our position in the industry, we are well placed to capitalise on these opportunities.

## **Our promoter shareholders**

Our principal shareholders include Housing Development Finance Corporation Limited (HDFC) and Standard Life Investments Limited ("SLI") who own 52.8% and 29.9% stake respectively. HDFC was incorporated in 1977 as a specialised mortgage finance company and is today a financial conglomerate having a dominant presence in housing finance, banking, life and non-life insurance, asset management, real estate funds and education finance.

Standard Life Investments (SLI), a subsidiary of Standard Life Aberdeen plc group, is one of the world's largest investment companies and was created in 2017 from the merger of Standard Life plc and Aberdeen Asset Management

PLC. Operating under the brand Aberdeen Standard Investments, the investment arm manages \$643.3bn (as at 31st December 2018) of assets, making it the largest active manager in the UK and one of the largest in Europe, with offices in over 40 locations including 24 investment centres across the Americas, Asia, the Middle East and Australia.

The brand equity, goodwill, and expertise of our sponsors empowers us to grow from strength to strength. While the HDFC brand enjoys deep trust of customers across generations, SLI has contributed towards the industry best practices followed by our company, particularly in operations and risk management.

## **Our vision**

**To be a dominant player in the Indian mutual fund space recognised for its high levels of ethical and professional conduct and a commitment towards enhancing investor interests.**

# OUR INVESTMENT PHILOSOPHY

The investment philosophy by which we manage our mutual fund schemes is as follows:

## Equity-oriented schemes

Our position as India's leading asset management company is supported by a strong brand, good distribution network, experienced team and sound track record over the long term. Equity-oriented schemes constituted 48.1% of our total AUM as of March 31, 2019. We are medium to long-term investors in equities and our investments are driven by fundamental research with a medium to long-term view. Our investment philosophy for equity-oriented investments is based on the belief that over time stock prices reflect their intrinsic values. Thus, our research efforts are predominantly focussed on bottom up research keeping in mind the economic outlook and macro-economic conditions. The focus of research effort is on understanding the businesses, the key drivers, forming a view on the key drivers and understanding the risks taking into account both quantitative (financial analysis, industry prospects, etc.) and qualitative (like corporate governance, management quality, etc.) factors.

## Debt schemes

Investments in fixed income securities are guided by our investment philosophy of Safety, Liquidity and Returns (SLR), generally in that order. Our fixed income schemes constituted 50.7% of our total AUM as of March 31, 2019. Our fixed income schemes invest in securities including corporate bonds, municipal bonds, mortgage-backed securities, asset-backed securities, money market instruments, etc. All investments are done in line with the Scheme Information Documents (SID) and in SEBI approved instruments. Our Credit Risk Assessment framework generally lays emphasis on Four C's of Credit - Character of Management, Capacity to Pay, Collateral pledged to secure debt and Covenants of debt, wherever applicable. Further, we have an internal framework to determine absolute and relative investment exposure limits for individual credits. We intend to follow approach of disciplined investing by prudently selecting securities and managing duration keeping in mind our medium term view on interest rates and the yield curve. We also evaluate and monitor global and local macroeconomic variables such as growth, inflation, currency and liquidity.

## Investment Risk Management

The risk management function is an integral part of our investment process. Our investment and risk management team is responsible for conducting pre-trade and post-trade monitoring. Pre-trade monitoring includes regulatory and internal limit adherence, volume weighted average price ("VWAP") analysis and trade allocation review. Post-trade monitoring process includes the analysis of performance attribution, factor model based risks, stress tests, value at risk ("VaR"), sector and stock concentration risks and peer group analysis, and is supported by robust technology platforms. Further, we have internal dealing room controls that are reviewed by independent forensic auditors. We maintain biometric access controls, call recording and video surveillance technologies, a cell phone deposit policy and a dealer (equity dealing room) rotation policy. We continuously enhance our investment risk management capabilities to ensure regulatory and market compliance, and develop techniques to continue tracking our portfolios.

# OUR PRODUCT SUITE

**We have a broad-based product suite that caters to a diverse set of investors.**

Our schemes are classified as follows:

### Equity Oriented

22 SCHEMES

### Debt Oriented

115 SCHEMES

### Liquid/ Money Market

3 SCHEMES

### Others

7 SCHEMES

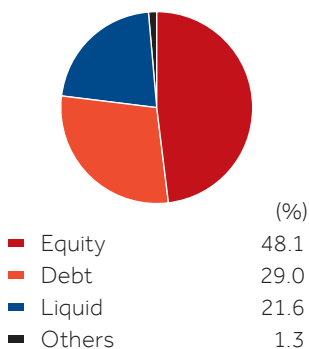
as of March 31, 2019

We have a proven track record of delivering consistent performance across most of these products. Prudent strategies and active asset management under the supervision of our experienced fund managers continue to drive our achievements. As a result, we have steadily gained and established market share across debt and equity.

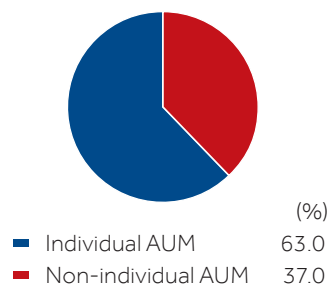


## AUM mix: March 2019

### SEGMENT-WISE BREAK-UP



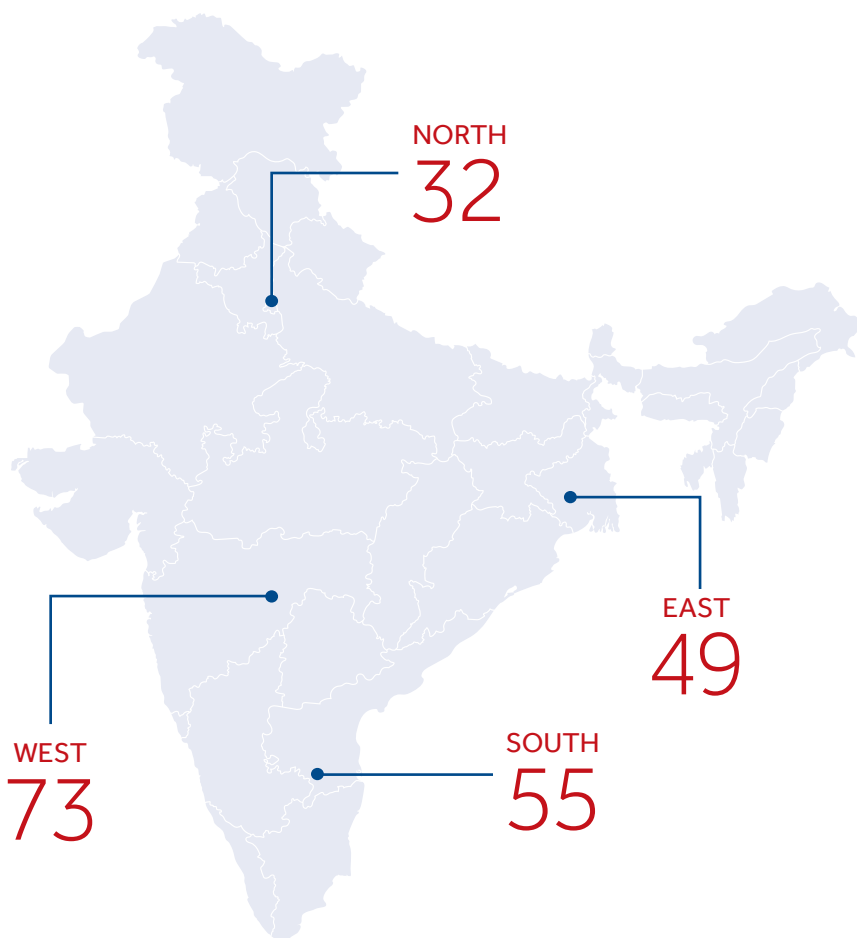
### INVESTOR BASE BREAK-UP



# OUR PRESENCE

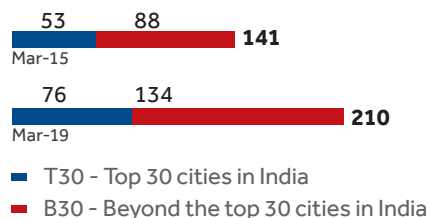
We have one of the strongest distribution networks in the industry, which acts as one of our key growth enablers. Our aim is to make continued investments in expanding and further fortifying our reach.

## SPREAD OF BRANCHES ACROSS INDIA



We also have a representative office in Dubai.

## PHYSICAL FOOTPRINT

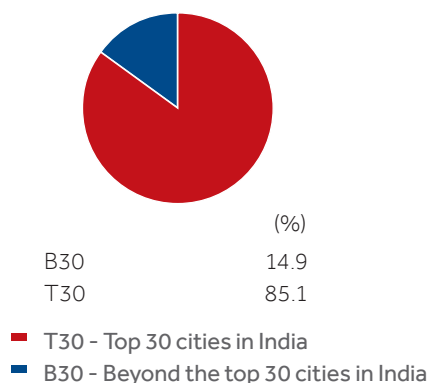


## NUMBER OF DISTRIBUTORS



## MUTUAL FUND AUM Mix March 2019

### GEOGRAPHY-WISE BREAK-UP



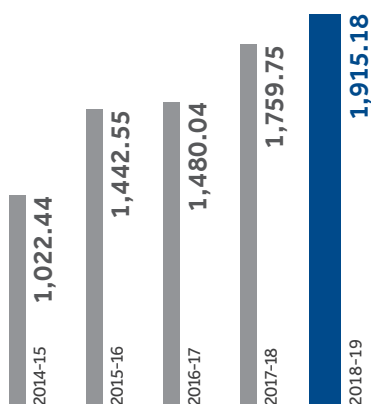
# KEY PERFORMANCE INDICATORS

Our scorecard over the past five years acts as a strong testimony to our capabilities in creating and executing strategies.

## REVENUE FROM OPERATIONS

₹ in Crore

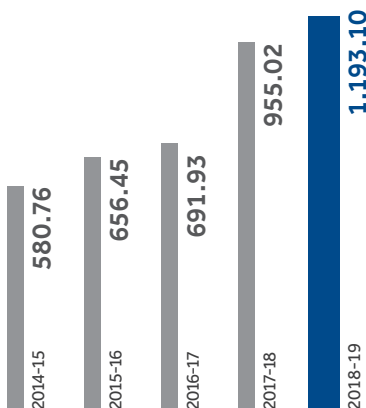
**17.41%**  
5 YEAR CAGR



## OPERATING PROFIT

₹ in Crore

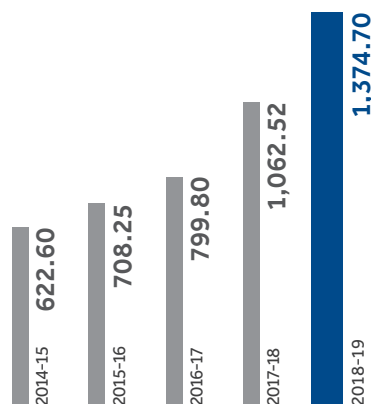
**20.08%**  
5 YEAR CAGR



## PROFIT BEFORE TAX

₹ in Crore

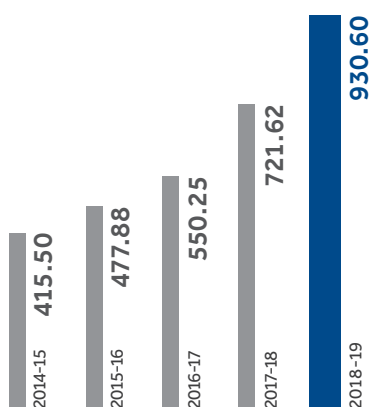
**21.35%**  
5 YEAR CAGR



## PROFIT AFTER TAX

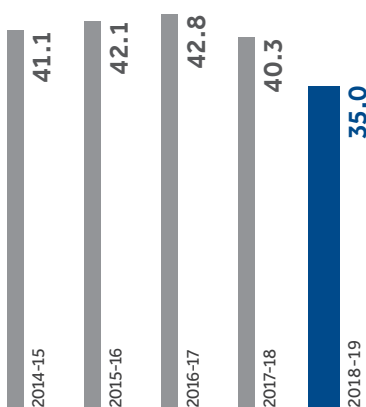
₹ in Crore

**21.07%**  
5 YEAR CAGR



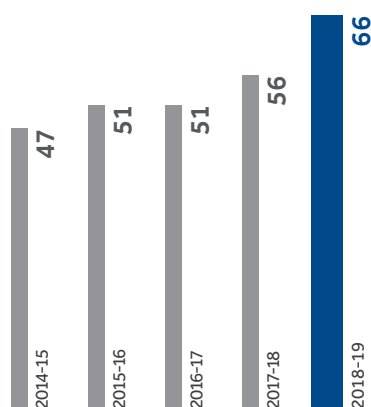
## RETURN ON EQUITY

%



## DIVIDEND PAYOUT RATIO

%



Notes:

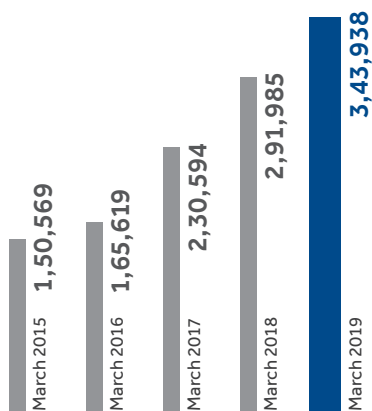
- The details for FY 17-18 considered here, are as reported in the financial statements of that year which were under earlier applicable accounting standards. The same have been restated to Indian Accounting Standards for comparative purpose in the financial statements and directors report of FY 18-19.
- Return on Equity from FY 14-15 to FY 17-18 was under earlier applicable accounting standards whereas for FY 18-19, it is under IndAS.
- Dividend payout ratio includes dividend distribution tax. FY 18-19 includes interim dividend of ₹ 12 paid in March 2019 and a final dividend proposed by the board on 26th April 2019 which is subject to shareholders' approval.
- All data as of March 31, 2019 unless stated otherwise.



### ASSETS UNDER MANAGEMENT

₹ in Crore

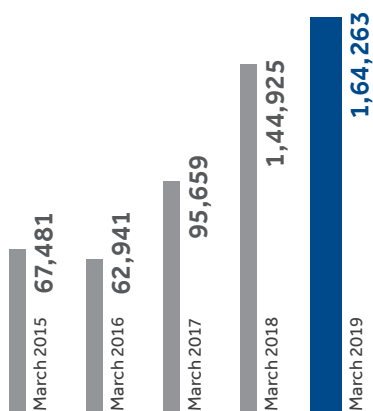
**25.86%**  
5 YEAR CAGR



### ACTIVE EQUITY AUM

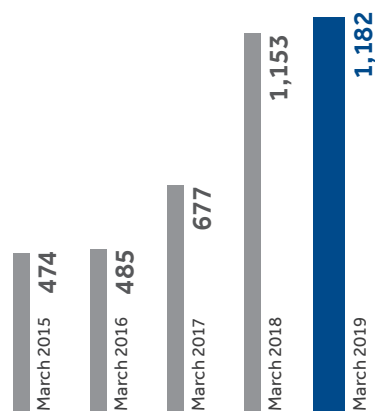
₹ in Crore

**32.27%**  
5 YEAR CAGR



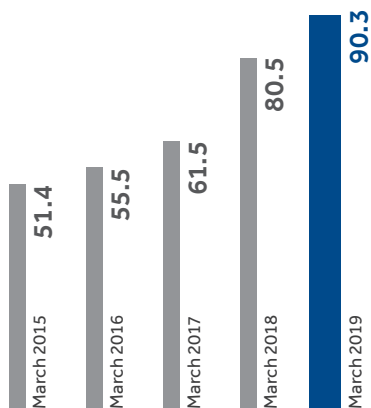
### SYSTEMATIC TRANSACTIONS

₹ in Crore



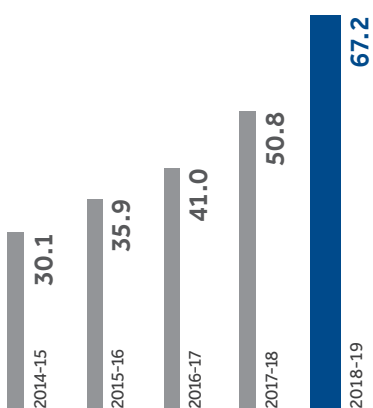
### LIVE INDIVIDUAL ACCOUNTS

in Lakh



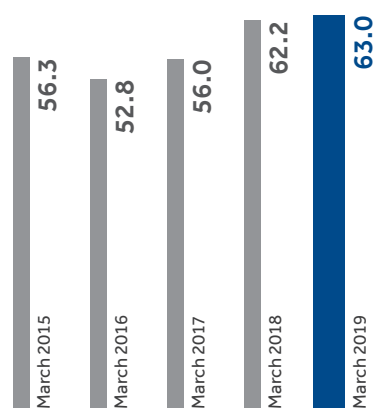
### ELECTRONIC TRANSACTIONS

% of total transactions

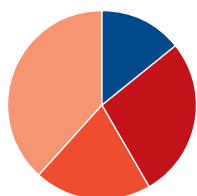


### INDIVIDUALS' SHARE IN AUM

% of monthly average AUM



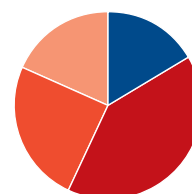
### CHANNEL-WISE BREAK-UP



AUM

	TOTAL AUM (%)	EQUITY AUM (%)
Banks	14.2	16.6
IFAs	27.5	40.6
National distributor	20.0	24.6
Direct	38.3	18.2

■ Banks ■ IFAs ■ National distributor ■ Direct



EQUITY AUM

Note:

1. All data as of March 31, 2019 / for March 2019 unless stated otherwise.

# CHAIRMAN'S MESSAGE

Dear Shareholders,

I am delighted to present to you our maiden Annual Report as a listed entity. It was a remarkable year for us as we continue to take our business to newer heights. Our healthy, all-round performance reinforced our confidence and belief in our strategy and long-term aspirations.



## Encouraging macro trends

Registering a Gross Domestic Product (GDP) growth of 6.8%, India remained one of the fastest growing large economies last year. It continued the momentum witnessed over the past five years and demonstrated gradual improvement on the back of prudent fiscal and monetary policies aimed at achieving the right balance between growth and inflation. A young, aspiring population and a burgeoning middle class are likely to propel disposable incomes as well as savings in the country over the next few years. Savings from approximately 250 million households in India have grown at a steady pace in the past few years, with an accelerating share of financial savings, especially after the implementation of revolutionary reforms such as demonetisation and GST. In fact, the share of gross financial savings in total gross household savings has gone up from 41% in FY 13 to 51% in FY 18. Over the past five years, India has seen remarkable growth in terms of financial inclusion, the catalyst being bank accounts opened under the Pradhan Mantri Jan Dhan Yojana (PMJDY), which has already benefited over 35 Crore people who have deposited almost ₹ 1 Lakh Crore into the banking system.

**A young, aspiring population and a burgeoning middle class are likely to propel disposable incomes as well as savings in the country over the next few years.**

## A promising future for the domestic mutual fund industry

India's mutual fund industry is growing from strength to strength on the back of enablers such as a growing investor base, healthy capital market growth, ease of transactions by advancement

of technology and the regulator's efforts to make mutual fund products more transparent and investor-friendly. Yet, penetration of mutual fund products in India is a fraction of the global average and is lower than that of both developed and emerging economies. The industry is well-poised for strong growth, catalysed by rising awareness among investors, a formalising economy and growing financial inclusion. An important development in recent years has been the stabilisation of Indian financial markets and equity markets, in particular, owing to the growing prominence of domestic institutional investors, including mutual funds.

**The mutual fund industry's growth story will span across a longer time frame and the industry is well-poised for exponential growth.**

## Technology: A facilitator for the mutual fund industry

Rising penetration of the internet and smart phones, along with the availability of faster data speeds at affordable pricing, are changing the face of the financial services sector in India. Digital platforms offer high convenience and speed to consumers, enabling financial services companies to acquire, retain and expand their customer base at much lower costs. Besides, digitisation also plays a pivotal role in improving cost efficiencies for banks and financial services companies. Organisations offering superior mobile and digital platforms with relevant customer propositions are likely

to emerge as winners in this highly competitive industry.

## HDFC AMC: Empowered by your trust

HDFC AMC continued to be at the forefront of growth during the year. Retaining its dominant positioning in the industry, the Company has delivered a solid performance, yet again. We have gained market share and have added a healthy number of customers. We are confident of achieving all-round, profitable and sustainable growth on the back of our detailed strategic priorities. We look forward to being part of the deepening mutual fund penetration in India and setting new benchmarks.

Having laid a strong foundation for the future, we listed our business during the year. We would like to thank our shareholders who have reposed their faith in us. We are committed to create value for all our stakeholders and we seek your continued support in our future journey. It is our constant endeavour to drive higher awareness and financial literacy across India to empower the consumers to make correct and well-informed decisions while investing in financial products.

Before concluding, I would also like to thank all the employees of the Company for their unwavering commitment and wish them all the best as we step into the next fiscal year with renewed zeal and optimism.

Best Regards,

**Deepak S Parekh**  
Chairman

# MD'S MESSAGE

Dear Shareholders,

I am happy to share with you our performance for the year. We have registered healthy growth and have gained market share while continuing to improve our profitability.



## A year of milestones

The year that has gone by was a year of milestones for our Company. It was the year when we listed successfully on the stock exchanges. We were humbled by the response to the Initial Public Offering which was oversubscribed by 83 times and we received approximately 25 Lakh applications. The Qualified Institutional Bidders (QIB) portion was oversubscribed by 192 times, Non Institutional Investors (NII) by 195 times and Retail Individual Investors by 6.7 times. Investors have endorsed our strengths, our history of successfully navigating market and business cycles, our group heritage, and the promising and developing industry we operate within. We highly value the trust placed on us and we will continue to deliver on the expectations of all our stakeholders, while upholding our strategy and vision. We endeavor to deliver healthy performance in all aspects of the business, with focus on the long term. During the year, we regained the number one position in terms of mutual fund AUM. We closed the year with an AUM of ₹ 3.44 Lakh Crore with a market share of 14.5%.

There are approximately 250 million households in India who collectively save over ₹ 25 Lakh Crore every year. With income on the rise and inflation well under control, it would be reasonable to assume that this number would gradually increase. We have seen a shift in investment preference of these households in favour of financial assets over physical assets. We are also witnessing a change in trend towards capital market oriented products within the financial assets pie. Mutual Fund AUM in India has seen robust growth post SEBI's steps in 2012 to re-energise the Mutual Fund industry. AUM for the industry has grown by 23.6% CAGR since March 2014. The industry saw increased penetration from beyond the top 30 cities and also witnessed doubling of live folios over the past five years.

## Delivering all-round performance, consistently

We have a three pronged strategic objective against which we benchmark ourselves viz. build business of scale, focus on quality of business and be

profitable. We are happy to state that we have fared reasonably well on each of these parameters as displayed by our leadership position in the mutual fund industry coupled with the quality of our AUM and leading profits.

**We are humbled by the response to the initial public offering which was oversubscribed by 83 times with approximately 25 lakh applications.**

We witnessed a strong year of performance in FY 18-19. The AUM stood at ₹ 3,43,938 Crore and grew by 17.8% over previous year. We have increased our market share from 13.7% to 14.5%. We have a favourable equity debt mix as well as higher proportion of individual monthly average AUM as compared to that of the industry. We continue to be the largest equity oriented mutual fund manager in the country. We are the most preferred choice of individual customers and enjoy the highest market share in individual monthly average AUM. Of the 1.93 Crore unique investors in mutual funds in India, we enjoy the trust of 53 Lakh investors,

a market share of 28%. Over the past many years, we have focussed on building our systematic transaction book which provides us predictable flows and are proud to state that we are amongst the leaders in systematic transactions. We have a diversified and well entrenched distribution network spread across various channels namely Banks, National Distributors and IFAs (Independent Financial Advisors).

The strong operational performance has translated into healthy financial performance. Our Company reported profit after tax of ₹ 930.60 Crore and grew by 31% over the previous year. Operating profit from core asset management business increased by 26% to ₹ 1193.10 Crore. We have also increased our dividend payout ratio. As compared to 56% for the FY 17-18, the payout ratio for the year that just ended has now gone up to 66%. This includes an interim dividend that we paid in March 2019 of ₹ 12 per share and the Board has recommended a final dividend of ₹ 12 per share, which is subject to shareholders' approval.

## Focusing on the future, powered by the present

We enjoy a dominant position in the rapidly growing mutual fund industry and are well poised to take advantage of future growth. Over 93% of our open-ended equity-oriented AUM has outperformed its benchmark in 3 and 5 year periods while 98% has outperformed in 10 year period, 100% AUM has outperformed the benchmark over 15 year periods. A key element of our strategy is to promote a customer-centric culture that spans across all aspects of our business. We serve customers in over 200 cities through our network of 210 branches as well as service centres of our Registrar

and Transfer Agent (RTA). We are supported by a strong and diversified network of over 75,000 empaneled distribution partners. We believe that we are at the forefront of leveraging technology in the Indian Asset Management sector, with a focus on digitisation to transform sales, customer on-boarding and internal processes. We believe that our focus on technology has enriched our customers' experience and has enhanced the productivity of our employees and distributors. We offer our products and services through our online portal, HDFC MFOnline and mobile applications, both of which have become increasingly relevant to our business in recent years.

**Higher contribution from equity - oriented schemes as well as individual monthly average AUM relative to the industry is a key factor contributing to our superior margin profile.**

Recent regulatory changes are in the interest of individual investors and will aid growth of the mutual fund industry. Re-categorisation of schemes, for instance, has made investing easier for individual investors by reducing the number of identical schemes in each category. Regulatory guidelines on reduction in total expense ratio will further increase returns of investors.

## Growing responsibly

We have been associated with the Cancer Cure Fund Project, a flagship project of the Indian Cancer Society (ICS), for the past 8 years. The ICS Cancer Cure Fund is a unique, first of its kind initiative launched by ICS in 2011 in collaboration with HDFC AMC Ltd. This project has transformed the lives of over 7600 needy cancer patients from across the country,

and continues to better the lives of many low-income patients by providing them with financial assistance for treatment. Donations received from the fund are used for the cancer treatment of the underprivileged patients from all over India. Over the time of our association with ICS we have helped them raise over ₹ 120 crore through our HDFC Charity Fund for Cancer Cure, including the Company's direct contribution towards the same.

I would like to thank all our stakeholders, including our customers, shareholders, distribution partners, service providers and employees for their support and faith in our Company. We would like to thank our regulator SEBI for its role in the orderly development and growth of our industry.

Sincerely,

**Milind Barve**  
Managing Director

# OUR BOARD OF DIRECTORS

**We are governed by a board consisting of experts having a rich legacy in the banking and financial services sector.**

## **Deepak S. Parekh**

### **Non-Executive Director and Chairman**

Mr. Deepak Parekh (DIN 00009078) is a Non-Executive Director and Chairman on the Company's Board. He has been on our Board since July 4, 2000. He is also the Non-Executive Director and Chairman of one of our Promoters, Housing Development Finance Corporation Limited (HDFC). He is a Fellow of The Institute of Chartered Accountants (England and Wales). He is on the board of several leading companies across diverse sectors. He has won several awards, which includes Padma Bhushan conferred by Government of India in 2006, 'Bundesverdienstkreuz', which is Germany's Cross of the Order of Merit, being one of the highest distinction by the Federal Republic of Germany, in 2014, "Knight in the Order of the Legion of Honour", one of the highest distinction by the French Republic, in 2010, first of a network of international ambassadors for championing London across the globe by the Mayor of London in 2017 and he was also the first international recipient of the Outstanding Achievement Award by Institute of Chartered Accountants in England and Wales, in 2010.



## **Keki Mistry**

### **Non-Executive Director**

Mr. Keki Mistry (DIN 00008886) is a Non-Executive Director on the Company's Board since December 24, 2007. He is also the Vice Chairman and Chief Executive Officer of one of our Promoters, HDFC. He is a fellow of the Institute of Chartered Accountants of India. He joined HDFC in 1981. He was appointed as an Executive Director of HDFC in 1993, as the Deputy Managing Director in 1999 and as the Managing Director with effect from 2000. He was re-designated as the Vice Chairman and Managing Director of HDFC in October 2007 and as the Vice Chairman and Chief Executive Officer, with effect from January 1, 2010. Some of his recognitions include, being awarded "Best Independent Director Award 2014" by Asian Centre for Corporate Governance & Sustainability, the Best CEO Financial Services (Large Companies) 2014 by Business Today magazine, honoured with the 'CA Business Achiever of the year' award in the Financial Sector by the Institute of Chartered Accountants of India in 2011 and CNBC TV18's award for the 'Best Performing CFO in the Financial Services Sector' for three consecutive years - 2006, 2007 & 2008. He is the chairman of the CII National Council on Corporate Governance and was a member of the

Committee on Corporate Governance set up by the Securities and Exchange Board of India (SEBI). He is currently a member of Primary Markets Advisory Committee set up by the SEBI.



## **Renu S. Karnad**

### **Non-Executive Director**

Ms. Renu Karnad (DIN 00008064) is a Non-Executive Director on the Company's Board since July 4, 2000. She is also the Managing Director of one of our Promoters, HDFC with effect from January 1, 2010. She holds a bachelor's degree in Law from the University of Mumbai and a master's degree in Economics from the University of Delhi. She is a Parvin Fellow – Woodrow Wilson School of International Affairs, Princeton University, USA. Some of her recognitions include, being awarded 'Outstanding Woman Business Leader' at the CNBC-TV18 Indian Business Leader Awards 2012, being part of the 25 Most Influential Women Professionals in India – India Today Magazine's power list 2011, being featured amongst the list of '25 top non-banking women in finance' by U.S. Banker magazine, Wall Street Journal Asia adjudged her among the 'Top Ten Powerful Women to Watch Out for in Asia'. Ms. Karnad has served as the President of the International Union for Housing Finance (IUHF), an association of housing finance firms present across the globe.



**N. Keith Skeoch****Non-Executive Director**

Mr. Keith Skeoch (DIN 00165850) is a Non-Executive Director on the Company's Board and has been appointed as a nominee of one of our Promoters, Standard Life Investments Limited. He has been on our Board since October 26, 2005. He holds a Bachelor of Arts degree in Economics from University of Sussex, United Kingdom and Master of Arts degree in Economics from University of Warwick. He has been on the board of Standard Life Aberdeen plc (formerly known as Standard Life plc) since 2006 and was appointed chief executive officer in 2015, having been the chief executive officer at Standard Life Investments Limited since 2004. He is a non-executive director of the Financial Reporting Council and the Investment Association in the United Kingdom.

**James Aird****Non-Executive Director**

Mr. James Aird (DIN 01057384) is a Non-Executive Director on the Company's Board and has been appointed as a nominee of one of our Promoters, Standard Life Investments Limited. He has been on our Board since April 23, 2009. He holds a degree in Economics from Edinburgh University. He has been the Chief Executive of Ignis Investment Services Limited, since 2015, where he is responsible for

the day-to-day management of the business. In addition, he is the Head of Corporate Development for Standard Life Aberdeen plc (formerly Standard Life plc) where he focusses on developing new international business, joint ventures and mergers and acquisitions and is responsible for corporate finance. He joined Standard Life Aberdeen plc in 1997 and has held a number of senior roles within Standard Life Aberdeen plc, including as the Chief Executive of Standard Life Investments mutual fund business and as a director of Standard Life Investments (Asia) in Hong Kong.

**Hoshang S. Billimoria****Independent Director**

Mr. Hoshang Billimoria (DIN: 00005003) is an Independent Director on the Board of the Company since July 4, 2000. He holds a bachelor's degree in Commerce from University of Bombay and is a fellow of the Institute of Chartered Accountants (England and Wales) and of the Institute of Chartered Accountants of India. He is presently the Chief Executive Officer of Next Gen Publishing Private Limited. Prior to this, he was associated with Tata Infomedia Limited and at the time of his resignation, he was its Vice-Chairman and Managing Director. He was also the Deputy Chief Executive Officer with Tata Sons Limited. He was a partner with M/s. S.B. Billimoria and Co. He was

the President of the Council for Fair Business Practices.

**Vijay Merchant****Independent Director**

Mr. Vijay Merchant (DIN 01773227) is an Independent Director on the Company's Board since December 24, 2007. He holds a bachelor's degree in Commerce from University of Bombay and has completed post-graduate diploma in Business Administration from Indian Institute of Management, Ahmedabad. He is a partner of Dynam Plastics. He has worked with Mafatlal Group of Companies in Central Finance. He was the president of Indian Plastics Institute and was the former president of the All India Plastic Manufacturing Association. He was the founder member of Indian Centre for Plastics in Environment. He was also associated with Indian Institute of Packaging (Ministry of Commerce), Indian Merchants Chamber, Enviroplast Plastindia Foundation, Indian Plastics Institute, The Plastic Export Promotion Council. He was the honorary editor of Industry Journal Plastics News. He has been conferred with the 'Meritorious Service Award' by the Indian Plastics Institute in 2002, the 'Best Presentation on Recycling' award at the global conference of the industry in Brussels "Indioplast in 2007".



## OUR BOARD OF DIRECTORS

### **Deepak B. Phatak**

#### **Independent Director**

Dr. Deepak B. Phatak (DIN 00046205) is an Independent Director on the Company's Board since July 4, 2000. He holds a bachelor's degree in Electrical Engineering from the University of Indore, a master's degree in Technology from Indian Institute of Technology, Bombay ("IIT, Bombay") and a Doctorate in Philosophy from IIT, Bombay. He has been associated with the IIT, Bombay and was a professor in the department of computer science & engineering. He is on the board of various other companies. Some of his recognitions include being awarded with a 'Lifetime Achievement Award' in 2003 by Skoch, 'Lifetime Achievement Award' conferred by Dataquest in 2008, 'Excellence in Teaching' award by the IIT, Bombay in 2009, 'Padma Shri' award conferred by the Government of India in 2013 for his contribution in science and technology, 'Lifetime Achievement Award' conferred by the IIT, Bombay in 2014, 'Lifetime Achievement Award' conferred by InterOp, Mumbai in 2014 and 'Lifetime Achievement Award' conferred by the Computer Society of India, in 2018.



### **Sanjay Bhandarkar**

#### **Additional Independent Director**

Mr. Sanjay Bhandarkar (DIN 01260274) is an Independent Director on the Company's Board with effect from October 31, 2018. He is a senior investment banker and has over 25 years of corporate finance advisory and investment banking experience in the country. He is a Senior Advisor to Rothschild India and is experienced

in corporate finance advisory and investment banking. He was one of the founder members of Rothschild India. He started his career with ICICI Limited in their merchant banking business in 1990 and subsequently moved to ICICI Securities, the Investment Banking partnership between ICICI and JP Morgan, in 1992. He was involved in a number of domestic capital market transactions, raising equity for Indian companies as well as in domestic loan syndications. He moved to Peregrine Capital India, the Asian Investment Bank, in 1996 where he was responsible for origination and execution of overseas equity and debt capital market deals involving Indian companies. He also led the teams that worked closely with the Government of India on the 3G and BWA spectrum auctions, the first e-auctions done in India, and on the restructuring of the Enron and GE owned Dabhol power project, one of the largest and most complex restructurings to date. He is also a director on the Board of various companies. Sanjay did his schooling from St. Vincent's High School in Pune and graduated in Commerce from BMCC, Pune. He did his MBA from XLRI, Jamshedpur with specialization in Finance.



### **Dhruv Kaji**

#### **Additional Independent Director**

Mr. Dhruv Kaji (DIN 00192559) is an Independent Director on the Company's Board with effect from October 31, 2018. He holds a bachelor's degree in Commerce from the University of Mumbai and is an Associate Member of the Institute of Chartered Accountants of India. He was the Finance

Director of Raymond Limited, Executive Director of Pinesworth Holdings Pte. Ltd. (Singapore) and a Director on the Boards of Raymond Apparel Limited, Colorplus Fashions Limited, Hindustan Oil Exploration Company Limited, Balaji Telefilms Limited and Balaji Motion Pictures Limited; he was also on the advisory board of Essar Steel Limited. He is currently an advisor, evaluating and guiding business projects, strategies and organizational development, both in India and abroad. He is also a director on the Board of various companies.



### **Jairaj Purandare**

#### **Additional Independent Director**

Mr. Jairaj Purandare (DIN 00159886) is an Independent Director on the Company's Board with effect from October 31, 2018. He is the Founder Chairman of JMP Advisors Pvt Ltd, a leading advisory, tax and regulatory services firm, based in Mumbai, India. He has three and half decades of experience in tax and business advisory matters and is an authority on tax and regulation. He was Regional Managing Partner, Chairman – Tax and Country Leader - Markets & Industries of Pricewaterhouse Coopers, India. He was earlier Chairman of Ernst & Young India (EY). He was the Country Head of the Tax & Business Advisory practice of Andersen India, before joining EY. He has considerable experience on various issues in the Financial Services, Infrastructure, Power, Telecom, Media, Pharma and Auto sectors. International Tax Review (Euromoney), in its report - World's Leading Tax Advisors, has named him several times as among the leading Tax Advisors in India. A frequent speaker at seminars in India and abroad, he has



presented several papers in areas of his expertise, including inbound/outbound investment structuring, international tax, transfer pricing, M&As, Indian Budget and Economy. He is a Director on the board of other listed companies. He is fellow member of Institute of Chartered Accountants of India and holds a degree of Bachelor of Science (Hons) from University of Bombay.

#### **Parag Shah**

##### **Additional Independent Director**

Mr. Parag Shah (DIN: 00374944) is an Independent Director on the Company's Board with effect from January 22, 2019. He is the Managing Partner of Mahindra Partners. In a career spanning over 20 years, Mr. Shah has held various positions with the Mahindra Group. He has extensive experience in building new businesses, startups, turn arounds, joint ventures and merger and acquisitions. Mr. Shah is a Director on several Mahindra Group companies. He is the Co-Chairman of the Group Diversity Council & is an Executive Committee member of various councils of Mahindra Learning University. He is the Group lead for business representation in Israel. Mr. Shah has been an Executive Committee Member of the CII National Committee on Private Equity and Venture Capital, FICCI Solar Energy Task Force, CII National Committee on Renewable Energy in addition to other external associations. He has also been associated with several NGOs. He has been recognized by Economics Times & Spencer Stuart as India's Top 40 Business Leaders under the age of 40. He was also featured by India Today as "Leader of Tomorrow"

in their anniversary issue. He holds a BS Degree in Computer Engineering from the Illinois Institute of Technology with special electives in Psychology and Manufacturing Technology and graduate of the General Management Program from Harvard Business School.

#### **Roshni Nadar Malhotra**

##### **Additional Independent Director**

Ms. Roshni Nadar Malhotra (DIN 02346621) is an Independent Director on the Company's Board with effect from April 27, 2019. She is the CEO and Executive Director of HCL Corporation. She is also the Vice Chairperson on the Board of HCL Technologies, the Chairperson of its CSR Committee and trustee of HCL Foundation. She is a Trustee of the Shiv Nadar Foundation, which is committed to the process of nation building by driving transformational leadership through education. She is the Chairperson and driving force behind VidyaGyan, a leadership academy for the meritorious but economically underprivileged, rural students of Uttar Pradesh. She is also the Founder & Trustee of the Habitats Trust, a foundation working towards protecting habitats and their indigenous species. Passionate about wildlife and nature, she founded the Trust with the mission of creating and conserving sustainable ecosystems through strategic partnerships and collaborations with all stakeholders at every level. She is a part of the Forum of Young Global Leaders (YGL), a unique and diverse community of the world's most outstanding, next-generation leaders, an initiative of the World Economic Forum. She holds an MBA

from the Kellogg Graduate School of Management with a focus on Social Enterprise and Management & Strategy.

#### **Milind Barve**

##### **Managing Director**

Mr. Milind Barve (DIN 00087839) is the Managing Director of the Company since July 4, 2000. He has a bachelor's degree in Commerce from University of Poona and he is also a fellow of the Institute of Chartered Accountants of India. He has been associated with HDFC in the capacity of General Manager – Treasury where he headed the treasury operations at HDFC for 14 years and was responsible for the management of HDFC's treasury portfolio and for raising funds from financial institutions and capital markets. He was also the head of marketing for retail deposit products and responsible for investment advisory relationships for Commonwealth Equity Fund Mutual Fund and Invesco India Growth Fund.

# OUR LEADERSHIP TEAM

Our leadership team is headed by Milind Barve, the Managing Director. The management team has a proven track record of setting industry benchmarks around performance and best-in-class corporate practices.

## CORPORATE

**Alok Sheopurkar**  
Head - Human Resources

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**John Mathew**  
Head - Client Services

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**Mudeita Patrao**  
Head – Digitisation

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**Piyush Surana**  
Chief Financial Officer

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**Sylvia Furtado**  
Company Secretary

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**V Suresh Babu**  
Head - Operations

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**Yezdi Khariwala**  
Chief Compliance Officer

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## SALES

**Kiran Kaushik**  
Head - Sales and Distribution

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**Naveen Gogia**  
Head – Sales (North & West)

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**Rajiv Maniar**  
Head – Sales (East & South)

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**Shyamali Basu**  
Head – Products and Marketing

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**Simal Kanuga**  
Head – PMS Sales & New Initiatives  
and Chief Investor Relations Officer

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## INVESTMENTS

**Prashant Jain**  
Executive Director and  
Chief Investment Officer

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### Equity

**Chirag Setalvad**  
Senior Fund Manager - Equities

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**Krishan Kumar Daga**  
Senior Fund Manager - Equities

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**Miten Lathia**  
Fund Manager - Equities  
& Senior Equity Analyst

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**Vinay Kulkarni**  
Senior Fund Manager - Equities

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### Debt

**Anil Bamboli**  
Senior Fund Manager - Fixed Income

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**Anupam Joshi**  
Fund Manager - Fixed Income

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**Shobhit Mehrotra**  
Senior Fund Manager - Fixed Income  
and Head of Credit

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STATUTORY  
REPORTS &  
FINANCIAL  
STATEMENTS

**18-143**

# MANAGEMENT DISCUSSION AND ANALYSIS

## A. ECONOMIC ENVIRONMENT

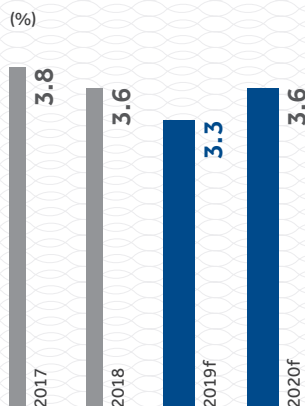
### A1. GLOBAL

Global growth remained healthy and stable with real GDP growth at 3.6% in 2018 compared to 3.8% in 2017 led by recovery in United States (US), which was the fastest growing G10 economy. Further, stable growth in Emerging markets (EMs), especially China and India, also sustained the growth. Escalation in trade tension between China and US, reinstatement of sanctions on Iran by US, uncertainty around Brexit deal with EU, etc. were the key developments during the financial year.

Global growth is likely to moderate slightly in 2019 but is expected to remain healthy. Growth will be driven by easing financial conditions, fiscal and monetary stimulus by China, low unemployment levels and stable consumer spending in the United States. Escalation in trade tension remains a key risk and can adversely impact consumer confidence and capex plans which in turn could impact growth negatively.

Most commodities witnessed a rise in prices during the first half of the year supported by stable global growth followed by significant fall in the second half. Concerns over trade war escalation between US and rest of world especially China along with fear of slowdown in growth in China were the major factors which drove down the prices. Headline inflation moved up further in most of the large economies due to higher commodity prices but was within a comfortable range.

### GLOBAL GROWTH (GDP) TREND



f = forecast

Source: International Monetary Fund, World Economic Outlook, April 2019

### A2. INDIA

FY 18-19 was an eventful year for India. Sharp volatility in crude oil prices, resolution of some large NPAs under Indian Bankruptcy code (IBC), NBFCs liquidity concerns, change of guard at RBI, were key events. Increase in capital allocation for recapitalisation of public sector banks, merger of some prominent public sector banks, launch of PM Kisan scheme, rationalisation of GST rates on various goods were the key positive developments in the year.

India's macro-economic situation remained stable with parameters like fiscal deficit, inflation, current account deficit, FDI, GDP growth etc. remaining within comfortable range. Over the past few years, inflation has been under control primarily driven by low food prices. Further, fiscal deficit as % of GDP has also declined in a calibrated manner. Slowdown in GDP growth in FY18 and FY19 was partly due to adverse short term impact of first time implementation of GST and decline

in growth of discretionary consumption in H2FY19.

With the new government re-elected with a sound majority, we expect stability and policy continuity along with focus on reforms. Thus, the thrust on infrastructure, manufacturing and rural development might continue going forward.

Centre's Fiscal deficit was contained at 3.4% (slightly above the budgeted target of 3.3%), despite significantly lower than estimated GST collection, due to the sharp curtailment in expenditure by the Government in Q4FY19.

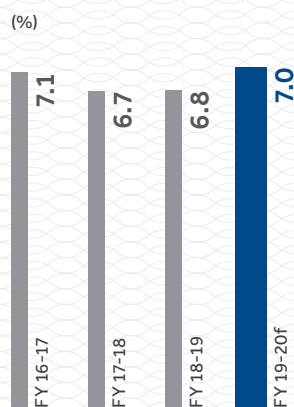
Headline inflation moderated significantly mainly due to fall food prices. Improvement in food supply, adequate stocks of food grain, largely normal monsoon and higher imports pushed down food prices. Further, correction in oil prices since October 2018 also pushed inflation lower. Core inflation (inflation excluding food, fuel, transportation, housing) remained at elevated levels for most part of the year with broad based price rise across most segments, especially in services.

During 9MFY19, external sector deteriorated due to higher oil & electronics (especially mobile phones) import bill and muted export growth. This was only partially offset by lower net imports of gold, jewellery & precious stones. Current Account Deficit (CAD) as % of GDP deteriorated to 2.6% in 9MFY19 (FY18: 1.8%). Driven by widening CAD and net FII outflows, INR depreciated by nearly 6% during the year to close at ₹ 69.2 against the US\$. However, INR depreciation was largely in

line with depreciation of other emerging market currencies against US\$.

In September 2018, due to default by a prominent infrastructure NBFC, liquidity for the NBFC sector tightened. The NBFCs with significant Asset liability mismatch (ALM) were worst hit. Sharp increase in share of CPs in the borrowing mix of NBFCs – from 4.2% in FY14 to 12.6% in August 2018 was a key reason for ALM mismatch (Source: Nomura). Further, NBFCs that had higher exposure to real estate sector experienced elevated stress. Consequent to liquidity strain, spreads of NBFCs and non-AAA rated corporate bonds over Gsec yields widened significantly. Further, growth in asset book of NBFCs moderated considerably as preserving liquidity became a priority to meet repayments.

## INDIA'S GDP GROWTH



f = forecast

Source: CSO, RBI

### Equity markets

Emerging markets except India underperformed developed markets. US was the best performing developed market. The tables below give the details of the performance (% change) of key global, Indian and sectoral indices.

### Key macro growth enablers for Indian economy

- Favourable demographics (young, aspiring population, thriving middle class) are likely to sustain growth in consumption
- A stable government and continued reforms are supportive of growth
- Continued government impetus on formalising the economy is positive for organised businesses

% CHANGE IN INDICES	FY 17-18	FY 18-19
S&P 500	11.8	7.3
FTSE	(3.6)	3.2
DAX	(1.8)	(4.7)
CAC	0.9	3.5
Nikkei	13.5	(1.2)
Hang Seng	24.8	(3.5)
KOSPI	13.2	(12.5)
Shanghai	(1.7)	(2.5)
MSCI Emerging Market Index	22.2	(9.6)

% CHANGE IN INDICES	FY 17-18	FY 18-19
S&P BSE India Auto	9.3	(21.7)
S&P BSE India Bankex	11.4	25.5
S&P BSE India Capital Goods	12.3	(0.0)
S&P BSE India FMCG	11.0	14.1
S&P BSE India Healthcare	(14.1)	9.5
S&P BSE India Metal	12.9	(14.8)
S&P BSE India Power	(6.5)	(4.3)
S&P BSE India Oil & Gas	7.7	4.5
S&P BSE India IT	16.7	26.3
<b>S&amp;P BSE SENSEX</b>	<b>11.3</b>	<b>17.3</b>
<b>NIFTY 50</b>	<b>10.2</b>	<b>14.9</b>
<b>NIFTY Midcap 100</b>	<b>9.1</b>	<b>(2.7)</b>
<b>NIFTY Smallcap</b>	<b>11.6</b>	<b>(14.4)</b>

Source: Bloomberg, Returns are in local currency.

Sectoral indices performance was mixed with Banks, IT, FMCG being the best performing sectors whereas Auto and metals underperformed.

Foreign Portfolio Investors (FPIs) bought Indian equities worth US\$0.2bn in FY19 vs US\$ 3.4bn in FY18. However, there was divergence with first 3 quarters of FY19 witnessing outflows of US\$8.2bn followed by sharp recovery in 4QFY19 with inflows of US\$ 8.4bn. This sharp resurgence in FII flows was possibly led by:

- Expectations of continuity of government
- Improving profit growth outlook
- Outflows in 2018
- Fall in yields in the US / Europe

On domestic front, equity oriented mutual funds inflows moderated compared to previous year. Inflows in FY 18-19 were ₹ 1.18 Lakh Crore (FY18: ₹ 2.4 lakh crore). Inflows were supported by steady improvement in Systematic Investment plans (SIPs), which stood near ₹ 8,000 crores per month in March 2019. Strong domestic inflows have helped the Indian equity market to hold up well despite weak FII flows.

In our view, healthy inflows in mutual funds are primarily driven by structural reasons viz, increasing awareness of equities/ mutual funds, rise in younger workforce, increasing reach of mutual funds etc. The share of gross financial savings in total gross household savings has been growing in recent years and stood at 51% in FY 17-18 as compared to 41% in FY 12-13. Within financial savings, flows into equity-oriented mutual funds have grown at a rapid pace. Mutual Fund AUM recorded a CAGR of 25% from FY 12-13 to FY 17-18, versus a 9% CAGR in bank deposits during the same period (Source: RBI). In FY 18-19, Mutual Fund AUM grew further by 11%.

#### Debt markets

The fiscal year 2018-19 (FY19) was a mixed year for the Indian fixed income market. The yield on 10-year benchmark G-sec witnessed a rising trend in the first half of the year on back of sharp rise in crude oil prices, INR depreciation, increase in repo rates by 50 bps by RBI & change in stance to calibrated tightening, net FII outflows, healthy domestic growth, liquidity tightening by global central banks and elevated core inflation. However, the trend reversed since October 2018 triggered by fall in crude oil prices, benign headline inflation, large purchases under open market operations (OMOs) by RBI, 25 bps rate cut by RBI (50 bps more in Q1 FY20) and change in stance to neutral, concerns over global growth, rise in trade tension between US and China and dovish comments by US Federal reserve & other

major central banks. The yield on 10-year benchmark Gsec (7.17 GS 2028) which started the year at 7.4%, rose to a high of 8.2% in Sep18 but ended the year at 7.49%, up by mere ~9 bps.

During 2nd half of the year, RBI proactively managed interbank liquidity which turned negative on account of strong growth in currency in circulation and sale of foreign exchange by RBI. To support durable liquidity, RBI conducted OMO purchases of ~₹ 3.0 trillion in FY19. Further, to meet the seasonal rise in liquidity demand in March 2019, RBI conducted variable rate Term Repo auctions amounting to ₹ 1,000 billion in four equal tranches. RBI also conducted a US\$/INR Buy / Sell swap in end-March 2019 of US\$ 5 bn (US\$ 5 bn more in April 2019) to support liquidity. Credit growth continued to remain healthy and outpaced the

deposit growth throughout the year supported by sustained pickup in retail and services credit. Credit to Industry continued to remain muted though some pickup was observed during end of the year.

After increasing policy rate by 50 bps in H1FY19, the RBI has reduced the policy rate by 75 bps (25 bps in H2FY19 & another 50 bps in Q1FY20) on back of subdued inflation and moderation in growth. RBI has also changed its stance from neutral to accommodative in June 2019. Given that near term inflation outlook remains benign and growth is moderating, it could provide some space for further policy easing. However, any future action by RBI is likely to be data dependent and this rate cut cycle is likely to be a shallow one, in our opinion.

### Growth enablers and opportunities for Mutual Funds

- Continued economic growth in India
- Increasing formalisation of the economy post the implementation of structural reforms, such as GST and demonetisation rising disposable incomes and investible surplus
- Growing investor base due to rising awareness about the benefits of investing in mutual funds
- Rising share of financial savings in total household savings
- Regulations to incentivize investments in smaller cities
- Tax benefits on equity-linked savings schemes
- Regulatory push related to financial inclusion
- Robust traction in Systematic Investment Plans (SIPs)
- Increased access to mutual fund products, with simple and quick investment process owing to the emergence of multiple digital platforms
- Improving operational and cost efficiencies due to rising digitalisation
- Better mobile and digital platforms are emerging as key differentiators for customers

## HOUSEHOLD ALLOCATION TO SHARES AND DEBENTURES INCLUDING MUTUAL FUNDS (as % of Gross Household Financial Savings)

FY2014-15

1.6%

FY2017-18

8.0%

Source for all data points - Bloomberg, NSDL, RBI, AMFI, CMIE

### A3. INDUSTRY INSIGHT

AUM of the MF industry in India grew by 11.4% in FY18-19 to ₹ 23.80 Lakh Crore, of which equity AUM constituted 43% and grew by 17.8% from a year earlier. The growth in Equity AUM can be attributed primarily to healthy net new flows of ₹ 1.18 Lakh Crore during the year. Debt AUM fell by 8.7% as the industry saw net outflows of ₹ 1.24 Lakh Crore due to uncertain interest rate environment and a challenging credit cycle. Liquid AUM stands at ₹ 4.36 Lakh Crore, a growth of 30% backed by net inflows of ₹ 0.76 Lakh Crore. ETFs, FOFs and Arbitrage Funds now add up to ₹ 1.93 Lakh Crore.

Individual investors' contribution to the total AUM now stands at 55% versus 51% a year earlier. Monthly flows from SIPs were ₹ 8,055 Crore in March 2019, a growth of 13.1% from the same month of the previous year. The industry processed 2.62 Crore SIP transactions during March 2019 as compared to 2.11 Crore in March 2018. AUM from beyond the top 30 cities (B30) stood at ₹ 3.79 Lakh Crore and formed 15% of the total AUM in March 2019. Industry participants are ramping up their presence in these locations leading to further development of markets. Favourable regulatory policies have

propelled the interest for mutual fund products in B30 cities of the country.

Some of the key measures implemented in FY18-19 by the regulator were as follows:

1. Reclassification, rationalisation and standardisation of schemes, which has simplified the scheme selection process for investors as well as distributors.
2. Additional TER under Regulation 52 (6A) (c) of SEBI (Mutual Funds) Regulations, 1996 reduced from 20 basis points to 5 basis points.
3. Discontinuation of payment of upfront commission to distributors.
4. Revision of AUM based slabs for computation of TER effective from April 1, 2019.
5. Scheme related expenses not to be in AMC books as per circular dated October 22, 2018.

### Indian mutual fund industry: recent trends

Riding high on strong inflows from domestic individual investors, the MF industry AUM grew by 24% CAGR over the last 5 years, with Equity AUM growing by 39% CAGR over the same time period. The individual investors AUM in the industry has grown from ₹ 3.93 Lakh Crore in March 2014 to ₹ 13.54 Lakh Crore in March 2019, a growth of 28% CAGR. Over the same period, the number of individual folios have increased from 3.92 Crore to 8.21 Crore. Individual investors typically invest for longer time frames and have a higher preference for equity-oriented funds. Net inflows into the industry over the past 5 fiscal years were ₹ 9.62 Lakh Crore, of which ₹ 6.61 Lakh Crore have been in equity-oriented schemes. There is a trend of Indian retail investors increasing allocation to equities in their overall investment portfolio. The AUM of liquid funds also witnessed healthy

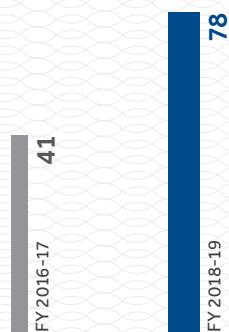
growth on the back of buoyant corporate investments and stable returns.

A major game changer for the domestic mutual fund industry has been the acceptance of the systematic investment plans, commonly known as SIPs, which has become a preferred route for most individual investors. The monthly SIP flows grew 2.5 times from April 2016, to ₹ 8,055 Crore in March 2019. The number of SIP transactions processed in March 2019 was 2.62 Crore as compared to 1.01 Crore in April 2016. SIPs are typically sticky long term inflows and lend high visibility and predictability of AUM growth.

Another important development has been the balancing of roles between the domestic institutional investors (largely Mutual Funds) and Foreign Portfolio Investors (FPI). Historically Indian equity markets have moved in tandem with FPI fund flows. FPI flows tend to be volatile as they are exposed to global challenges.

### RISING SHARE OF SIPs IN TOTAL EQUITY FUND FLOWS

(%)



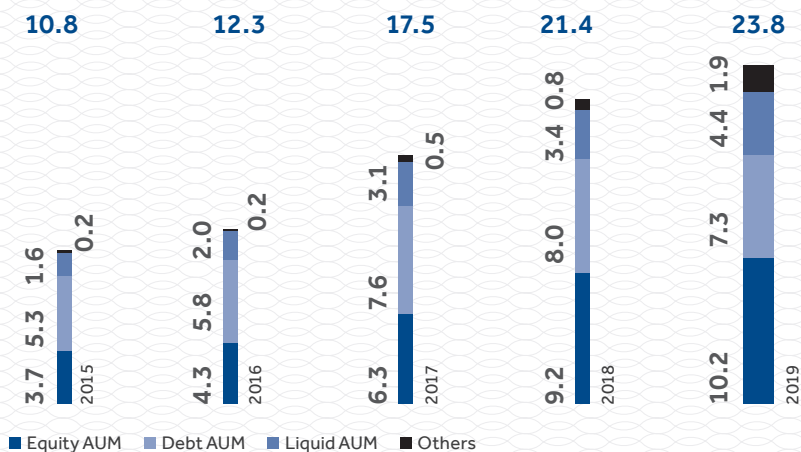
Source - AMFI

**Healthy growth of mutual fund AUM in India**

AUM (₹ in lakh crore)

\*as of 31-Mar of each year

5 YEAR CAGR – 24%



Source: AMFI

**B. REVIEW OF THE BUSINESS**

**B.1 Business overview**

HDFC Asset Management Company Limited (HDFC AMC) is the investment manager to HDFC Mutual Fund (HDFC MF), the largest mutual fund in India, with total AUM of ₹ 3,43,938 Crore as of March 31, 2019. We also enjoy a leading position in equity-oriented AUM in the country. Ever since our first full-year of operations in FY 01-02, our profits have grown every year and we have been the most profitable (as of FY 17-18) AMC in India since FY 12-13. Our principal shareholders include Housing Development Finance Corporation Limited (HDFC) and Standard Life Investments Limited (“SLI”). The HDFC group is a leading financial services conglomerate in India, with presence in housing finance, banking, life and non-life insurance, asset management, real estate funds and education finance. Standard Life Investments (SLI), a subsidiary of Standard Life Aberdeen plc group, is one of the world’s largest investment companies and was created in 2017 from the merger of Standard Life plc and Aberdeen Asset

Management PLC. Operating under the brand Aberdeen Standard Investments, the investment arm manages \$643.3bn (as at 31st December 2018) of assets, making it the largest active manager in the UK and one of the largest in Europe, with offices in over 40 locations including 24 investment centres across the Americas, Asia, the Middle East and Australia. We believe that our strong parentage and trusted brand enhances our appeal and provides confidence to our customers.

We offer a large suite of savings and investment products across asset classes, which provide income and wealth creation opportunities to our customers. This diversified product mix provides us with the flexibility to operate successfully across various market cycles, cater to a wide range of customers from individuals to institutions, address market fluctuations, reduce concentration risk in a particular asset class and work with diverse sets of distribution partners which helps us to expand our reach. As of March 31, 2019, we offered 147 schemes comprising 22 equity-oriented schemes, 115 debt schemes, 3 liquid schemes and 7 other schemes (including exchange-traded funds and fund of

funds). Our schemes target varying customer requirements and risk profiles and have helped us attract a growing individual-focused customer base. Our offering of systematic transactions further enhances our appeal to individual customers. The cornerstone of our sales effort has been to build a strong pipeline of such systematic flows, which help in providing steady and predictable flows. In pursuit of this objective, we have built a strong monthly flow of funds through systematic transactions. We endeavour to stay relevant to our customers by providing them with need-based product solutions to meet their financial goals as well as continued customer support and engagement through various distribution channels. We also provide portfolio management and segregated account services to HNIs, family offices, domestic corporates, trusts, provident funds, and domestic and global institutions.

As of March 31, 2019, our equity-oriented AUM and non-equity-oriented AUM constituted ₹ 1,65,303 Crore and ₹ 1,78,635 Crore, respectively, of our total AUM. Our actively managed equity-oriented AUM (which excludes index linked and arbitrage schemes) constituted ₹ 1,64,263 Crore. Our AUM has grown at 25.9% CAGR between March 31, 2014 and March 31, 2019. Our proportion of equity-oriented AUM to total AUM was at 48.1%, which was higher than the industry average of 42.9%, as of March 31, 2019. As equity-oriented schemes generally have a higher fee structure compared to non-equity-oriented schemes, our product mix helps us achieve higher profits.

A key element of our strategy is to promote a customer-centric culture that spans across all aspects of our business. We have established a large network of customer service centres across India. We serve customers in over 200 cities through our network of 210 branches as well as service centers of



our Registrar and Transfer Agent CAMS (Computer Age Management Services Private Limited). We have 134 branches in B30 locations, which contribute about 15% to our total monthly average AUM. We have a strong and diversified network of over 75,000 empaneled distribution partners across India, consisting of Banks, National Distributors and IFAs. We continually work towards deepening our relationships with our existing distribution partners and expanding our distributor base since we believe that having access to a large and diversified distribution network has and will continue to help us build wider customer franchise. We believe that we are at the forefront of leveraging technology in the Indian asset management sector, with a focus on digitisation to transform sales, customer on-boarding and internal processes. We believe that our focus on technology has enriched our customers' experience and has enhanced the productivity of our employees and distributors. We also offer our products and services through our online platforms, which have become increasingly relevant to our business in recent years.

## B.2 Operational Performance Review

The AUM of HDFC MF at the close of FY 18-19 stood at ₹ 3,43,938 Crore versus ₹ 2,91,985 Crore at the close of FY 17-18, an increase of 18%. The actively managed equity-oriented AUM of HDFC MF at the close of the year was ₹ 1,64,263 Crore as against ₹ 1,44,925 Crore at the close of FY 17-18, an increase of 13%. We are the most preferred choice for retail investors, with the highest market share in assets from individual investors at 15.4%. Of the 1.93 Crore unique investors in mutual funds in India (as identified by PAN), we enjoy the trust of 53 Lakh investors, a market share of 28%.

During the year, we regained our leadership position and had the highest

market share in total AUM as well as actively managed equity-oriented AUM. Our market share of total AUM was 14.5% and of actively managed equity-oriented AUM (which excludes index-linked and arbitrage schemes) was 16.2% among all AMCs in India. Equity-oriented assets formed 48% of our total AUM, with non-equity-oriented assets contributing to the rest. We serve 91 Lakh live accounts held by 53 Lakh unique investors. We processed 33.8 Lakh systematic transactions in the month of March 2019, amounting to ₹ 1,182 Crore. Systematic investments enable investors to periodically invest a certain amount, thereby achieving rupee cost averaging and mitigating risk, while maintaining the discipline of regular investing. Our systematic book is long-term in nature with 78.4% having a tenure of over five years and 66% of over 10 years at the time of registration. These contribute to predictable flows.

One of the highlights of the year was a fresh allocation of \$450 Million in our Segregated Accounts business.

## B.3 Financial Performance Review

- Our Company's revenue has increased by 12.14% to ₹ 2,096.78 Crore in FY 18-19.
- The Profit after tax stood at ₹ 930.60 Crore and grew by 30.83% over FY 17-18.
- The Operating Profit (Profit Before Tax less Other income) grew by 26.22% to ₹ 1,193.10 Crore in FY 18-19.
- PAT as a percentage of Annual Average AUM increased from 0.26% in FY 17-18 to 0.29% in FY 18-19.
- The company's Average Networth increased by 41.19% to ₹ 2,662.32 Crore in FY 18-19.

## Financial Performance with Respect to Our Operations

The financial statements of HDFC Asset Management Company Limited

are prepared in compliance with the Companies Act, 2013 and Indian Accounting Standards, Rules 2015.

## Indian Accounting Standards (Ind AS) – IFRS Converged Standards

The Company had adopted Ind AS with effect from April 01, 2018 (April 01, 2017 being the transition date). The Company has published its first Ind AS financial statements for the year ended March 31, 2019 along with comparatives for the year ended March 31, 2018. Further, Note 39 to the financial statements explains the reconciliation between earlier applicable Accounting Standards (Previous GAAP) and Ind AS net profit for the year ended March 31, 2018 and reconciliation of total equity between Previous GAAP and Ind AS as at March 31, 2018 and as at April 01, 2017.

Significant accounting policies used for the preparation of the financial statements are disclosed in Note 3 to the financial statements.

## Regulatory Update with Respect to Commission and scheme related Expenses

Certain scheme related expenses and commission paid to distributors were being borne by the Company till October 21, 2018. These expenses have been charged in accordance with applicable circulars and guidelines issued by SEBI and Association of Mutual Funds in India (AMFI) and have been presented under the respective expense heads in the Statement of Profit and Loss.

Pursuant to circulars issued by SEBI in this regard, with effect from October 22, 2018, all of these expenses, subject to certain minor exceptions allowed therein, are being borne by the respective mutual fund schemes.

The following table sets forth selected financial information from our Statement of Profit and Loss for FY 18-19 and FY 17-18.

₹ (in Crore)

PARTICULARS	For the Year Ended March 31, 2019	For the Year Ended March 31, 2018	% Change
Revenue from Operations	1,915.18	1,756.77	9.02
Other Income	181.60	113.00	60.71
<b>Total Revenue</b>	<b>2,096.78</b>	<b>1,869.77</b>	<b>12.14</b>
Fees and Commission Expenses	240.26	326.99	(26.52)
Impairment on Financial Instruments	40.00	-	100.00
Employee Benefits Expenses	206.27	186.10	10.84
Depreciation, Amortisation and Impairment	12.85	9.36	37.29
Other Expenses	222.70	289.09	(22.97)
<b>Total Expenses</b>	<b>722.08</b>	<b>811.54</b>	<b>(11.02)</b>
<b>Profit before Tax</b>	<b>1,374.70</b>	<b>1,058.23</b>	<b>29.91</b>
Tax Expense	444.10	346.94	28.00
<b>Profit after Tax</b>	<b>930.60</b>	<b>711.29</b>	<b>30.83</b>

### Revenue from Operations

Revenue from operations comprises of investment management fees from the Mutual Fund and portfolio management services and advisory fees. This increased from ₹ 1,756.77 Crore in FY 17-18 to ₹ 1,915.18 Crore in FY 18-19, due to an increase in investment management fee by 9.34% from ₹ 1,733.50 Crore to ₹ 1,895.39 Crore. This increase was led by an increase in the Average Annual AUM of Mutual Fund schemes. Subsequent to the regulatory change in October 2018 referred to earlier, certain expenses related to the schemes of the Mutual Fund which were earlier borne by the Company, are now borne in the books of the schemes of the Mutual Fund which has had some effect in reducing the investment management fee. Consequently, these expenses that were earlier being charged to the Company are no longer charged.

### Other Income

Our other income increased by 60.71% from ₹ 113.00 Crore in FY 17-18 to ₹ 181.60 Crore in FY 18-19, primarily because of higher income from investments in the form of interest and dividend. Our investment book rose in value due to retained surpluses and inflows on account of issue of share capital and we were also able to increase our yield on investments marginally.

Other income also included reversal of certain provisions made for expenses related to the previous year which were not spent due to regulatory changes.

### Fees and Commission Expenses

Fees and commission primarily comprise of commissions paid to distributors. Our fees and commission expenses decreased by 26.52% from ₹ 326.99 Crore in FY 17-18 to ₹ 240.26 Crore in FY 18-19, mainly on account of a decrease in commission expenses. Due to the regulatory changes as mentioned above, no commission was paid by the Company on sales from October 22, 2018. Savings on this account has resulted in reduction of commission expenses.

### Impairment on Financial Instruments

This relates to a provision for the Expected Credit Loss on one of the financial instrument which the Company had invested in, where the Company assessed a significant increase in credit risk. This was subsequently estimated to have become credit impaired at the year end.

### Employee Benefits Expenses

Our employee benefit expenses increased by 10.84% from ₹ 186.10 Crore in FY 17-18 to ₹ 206.27 Crore in FY 18-19, in particular due to an increase in salaries, allowances and bonus paid to employees. This increase was led by an increase in the number of

employees during FY 18-19 as well as regular increments paid to employees.

### Other Expenses

Our other expenses decreased by 22.97% from ₹ 289.09 Crore in FY 17-18 to ₹ 222.70 Crore in FY 18-19 primarily due to a decrease in Mutual Fund expenses, New Fund Offer expenses, and Advertisement, Publicity and Business Promotion expenses.

Our Mutual Fund and New Fund Offer expenses decreased from ₹ 38.73 Crore in FY 17-18 to ₹ 6.30 Crore in FY 18-19 mainly due to lower expenses on new product launches. Our Advertisement, Publicity and Business Promotion expenses decreased from ₹ 78.49 Crore in FY 17-18 to ₹ 35.72 Crore in FY 18-19 largely due to certain distributor-related expenses which were no longer incurred in FY 18-19 as a result of the regulatory changes.

### Profit Before Tax

Our Profit Before Tax increased by 29.91% to ₹ 1,374.70 Crore in FY 18-19 from ₹ 1,058.23 Crore in FY 17-18.

### Tax Expenses

Our total tax expenses increased by 28.00% to ₹ 444.10 Crore in FY 18-19 from ₹ 346.94 Crore in FY 17-18, primarily due to an increase in current tax. Our current tax increased by 30.54% to ₹ 445.47 Crore in FY 18-19 from ₹ 341.25

Cre in FY 17-18, due to the increase in our profit. Our effective tax rate, including deferred tax was at 32.31% and 32.78% for FY 18-19 and FY 17-18, respectively.

### Profit After Tax

As a result of the factors outlined above, our Profit After Tax increased by 30.83% to ₹ 930.60 Crore in FY 18-19 from ₹ 711.29 Crore in FY 17-18.

### Dividend

Your Directors have recommended a final dividend of ₹ 12 (Rupees Twelve Only) per equity share of Face Value of ₹ 5 each for the financial year ended March 31, 2019.

This is in addition to interim dividend of ₹ 12 per equity share approved by

the Board of Directors on February 26, 2019, which was paid in the month of March 2019. Hence, the total dividend for the year (if final dividend is approved by shareholders) would be ₹ 24 per share. Accordingly, the Dividend payout ratio for the FY 18-19 would stand at 66.09%.

### Statement of Assets and Liabilities

The following table sets forth selected financial information from our Balance Sheet as at March 31, 2019 and March 31, 2018

₹ (in Crore)

PARTICULARS	As at	As at
	March 31, 2019	March 31, 2018
<b>Assets</b>		
Financial Assets	3,097.79	2,185.15
Non Financial Assets	125.96	286.99
<b>Total Assets</b>	<b>3,223.75</b>	<b>2,472.14</b>
<b>Liabilities and Equity</b>		
Financial Liabilities	113.05	178.23
Non Financial Liabilities	39.98	40.00
<b>Total Liabilities</b>	<b>153.03</b>	<b>218.23</b>
<b>Total Equity</b>	<b>3,070.72</b>	<b>2,253.91</b>
<b>Total Liabilities and Equity</b>	<b>3,223.75</b>	<b>2,472.14</b>

### Investments

Investments of the Company grew from ₹ 2,057.74 Crore in FY 17-18 to ₹ 2,934.96 Crore in FY 18-19

- The increase in Investments carried at fair value through Profit or Loss from ₹ 1,485.07 Crore in FY 17-18 to ₹ 2,406.21 Crore in FY 18-19 is primarily due to net purchase of mutual funds.
- The net decrease of ₹ 43.92 Crore in Investment carried at amortised cost from ₹ 572.67 Crore in FY 17-18 to ₹ 528.75 Crore in FY 18-19 is primarily due to impairment of one of the investments as explained earlier.

### Total equity

Total equity has increased mainly due to higher retained earnings and securities premium. Retained earnings represents the surplus profits after payment of dividend and dividend distribution tax. Total equity also includes ₹ 150.53 Crore raised by way of private placement (Pre-IPO placement) by issuing 14,33,600 equity shares of the Company of ₹ 5/- each at an issue price of ₹ 1,050/- per share on a private placement basis to certain applicants in the month of April 2018.

### Key Financial Ratios

PARTICULARS	For the Year Ended March 31, 2019	For the Year Ended March 31, 2018
Annual Average AUM (₹ in Crore)	3,22,846.66	2,78,853.47
Profit after tax as a % of Annual Average AUM (%)	0.29	0.26
Debtors Turnover (times)	22.15	20.04
Current Ratio (times)*	6.11	1.88
Operating Profit Margin (%)	62.30	53.80
Net Profit Margin (%)	44.38	38.04

**Note:** Inventory Turnover Ratio, Interest Coverage Ratio and Debt Equity Ratio have not been presented as the same are not applicable to the Company.

\* This has improved significantly as current asset balances and specifically, investments which are maturing within 12 months from the reporting date including new purchases, have changed.

**Return On Network (Computed on Average Network)**

PARTICULARS	₹ (in Crore)		
	For the Year Ended March 31, 2019	For the Year Ended March 31, 2018	% Change
Networth at the Beginning of the Year	2,253.91	1,517.47	48.53
Networth at the End of the Year	3,070.72	2,253.91	36.24
Average Network	2,662.32	1,885.69	41.19
Profit after Tax	930.60	711.29	30.83
Return on Average Network (%)	34.95	37.72	(7.34)

Return on average network decreased due to higher average network in FY 18-19. The reason for higher average network was lower payout of interim dividend (as a percentage of Profit After Tax) and funds received through private placements during the year. However, the interim dividend for FY 17-18 was confirmed as final dividend whereas in FY 18-19, a final dividend of ₹12 for equity share has been recommended by the Board of Directors, which will be paid if approved by the shareholders.

**B.4 Outlook**

Our leadership position in the mutual fund industry empowers us to drive the culture of financial investing in India. We believe we are well-poised to capitalise on the healthy prospects of the industry and further solidify our position in the market. Our strong brand equity, disciplined investment philosophy and robust process, customer-centric approach, expansive reach, and healthy financials should facilitate our future growth.

Our strategic priorities include:

a) **Maintaining a strong investment performance against benchmarks and peer groups:** We are medium to long-term investors and our investments are driven by fundamental research. The key elements of our investment strategy include investment discipline, long-term focus, risk management and a team approach.

b) **Enhancing our reach and distribution network:** We offer our customers access to our products and services through an extensive multi-channel sales and distribution network. Our team constantly works towards deepening these relationships and strives to increase our market share with each of our distribution partners. We continuously seek newer distribution opportunities. We intend to continue using our investor education programs to promote awareness of mutual funds that should lead to increased penetration of mutual fund products. We plan to continue complementing our wide distribution network with effective marketing campaigns to spread brand awareness and strengthen customer relationships. We are also focussed on expanding our distribution reach to attract global clientele. Our financial strength and superior profits track record provides a platform to continue investing in the expansion of our reach.

c) **Enhancing our product portfolio to cater to various financial needs and aspirations of consumers:** We aim to offer need-based and customer-centric products that address the core needs of our diversified customer base. We typically exercise discipline in launching new funds and prefer to focus on growing our existing funds. However, we continuously

seek feedback from our investment team, distributor network and customers to cater to customer demands and market trends, which we utilise to adjust existing products or launch new products.

d) **Investing in digital platforms to acquire, retain and grow our customer base:** Our vision is to be a leader in the effective use of technology and to meet the changing needs of our customers, employees and key distribution partners. We aim to progress towards a digital model to meet our customers' requirements by personalising offerings, facilitating easy on-boarding, ease in transacting and access to other relevant data through our digital platform. Through these initiatives, we expect our customer's user experience to improve, which will enable us to build customer loyalty. We also aim to provide seamless connectivity with all our key distribution channels in order to drive synergies of financial planning, efficient distribution, transaction processing and servicing. We believe that these initiatives will be instrumental in decreasing costs while bringing about efficiencies at the same time.

We are confident about maximising value creation for all our stakeholders.

**C. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has instituted adequate internal control systems commensurate with the nature of its business and the size of its operations. This provides high degree of assurance regarding the effectiveness and efficiency of operations, the adequacy of safeguards for assets, the reliability of financial controls and compliance with applicable laws and regulations.

The Audit Committee is responsible for overseeing the risk management framework, reviewing the key risks and mitigation strategies, and ensuring the effectiveness of risk management policies and procedures. The Management is also responsible for ensuring that the risk management framework is effectively implemented within all areas of their respective functions.

The Company has appointed Deloitte Touche Tohmatsu India LLP to oversee and carry out internal audit of its activities. It carries out internal control reviews and provides an independent report to the Audit Committee on the adequacy and effectiveness of the risk management and internal controls of the organisation. Any material non-compliance and internal control weaknesses are reported to the Audit Committee.

B S R & Co. LLP, the statutory auditor of the Company, has audited the financial statements included in this Annual Report and has issued as a part of its Auditors' Report, a report on our internal financial controls with reference to the financial statements (as defined in Section 143 of the Companies Act, 2013).

Based on its evaluation, our audit committee has concluded that as of March 31, 2019, our internal financial controls were adequate and operating effectively.

## D. INFORMATION TECHNOLOGY (IT)

At HDFC AMC, we have deployed best-in-class IT systems and processes, which play a crucial role in reducing turnaround time across our operations, customer service, dealing, research, risk management and other support functions. IT is increasingly playing the role of a facilitator in business development activities. We upgrade our IT infrastructure and application

software regularly. We have appointed HDFC as our technology partner to maintain our IT infrastructure, networks and IT security, and provide IT hardware & software procurement services. We have also entered into arrangements with reputed vendors to provide IT infrastructure management services, end-user support and data centre services.

With the growing prominence of technology in all our activities, cyber security is of paramount importance to us. Our IT assets are reviewed and audited regularly by independent agencies. Our systems are subject to intense scrutiny and validations in the systems audit. Proactive measures are taken to ensure that they are adequately protected against external threats.

We have also devised a robust Disaster Recovery and Business Continuity plan, which is tested on a regular basis.

## E. MUTUAL FUND COMPLIANCE

Through our compliance function we monitor compliance with applicable regulatory requirements laid down by the SEBI and other related regulations, that are applicable as a registered intermediary.

Various internal policies and procedures have been established to enable compliance. Our Compliance Manual lists the applicable regulatory requirements, regulatory timelines and assigns responsibility to the concerned business functions for compliance. We have Employees Securities Dealing Codes to regulate personal investment transactions and policies such as the Conflicts of Interest Policy, Outsourcing Policy, Code of Conduct for Prevention of Circulation of Unauthenticated News, and Social Media Policy to adhere compliance with

the provisions of the applicable SEBI Act/Regulations/Guidelines.

Each business function also has certain compliance responsibilities pertaining to their areas of operation to ensure compliance on an ongoing basis. Accordingly, we have established procedures, policies and manuals such as the investment manual, operations manual, valuation policy, voting policy and client services manual. These policies and manuals are reviewed and updated periodically. We have established a certification process, through which each business function confirms compliance with the regulatory requirements on a periodic basis.

Our compliance team stays abreast of the new regulatory requirements and communicates the same to the relevant functions along with meaningful inputs for implementation. The compliance team monitors compliance requirements using a software system and reviews the implementation status of various requirements.

External independent internal auditors have been appointed to review activities of each department and function, including the compliance function. They review the compliance reports before they are submitted to our Board and the concerned regulators. Periodical SEBI inspections and statutory audits are conducted which review and assess the compliance status.

Other responsibilities of our compliance team include drafting and issuing product offer documents, issuance of notices/addenda related to scheme and product offerings, reviewing marketing materials before dissemination, timely filing of various reports with our Board and with concerned regulators and agencies. The compliance team also oversees redressal of customer grievances. As part of its periodic training initiatives, the compliance

team engages with the employee(s) to educate, sensitize and create awareness about their obligations under the codes/policies. Our compliance function is an interface between us and various regulators and agencies, such as SEBI, the Reserve Bank of India, the Association of Mutual Funds in India, depositories and stock exchanges. The Chief Compliance Officer updates our Board and Audit Committee at their meetings on various compliance matters.

## F. RISK MANAGEMENT

Our risk management practices have been designed and implemented taking into consideration the varying needs of our organization, operating structure, business operations and regulatory requirements. Our risk management philosophy clearly defines these lines of defense within the organization. Our Board approved policy details out our approach to risk management and the roles and responsibilities of all stakeholders.

The Audit Committee is responsible for overseeing the risk management framework, reviewing the key risks and mitigation strategies, and ensuring the effectiveness of risk management policies and procedures. The Management is also responsible for ensuring that the risk management framework is effectively implemented within all areas of their respective functions.

Risk assessment and mitigation strategy is an integral part of the organization's annual business reviews. The key risk management activities include Investment Risk, Operational & Regulatory Risk and Business Continuity and Disaster Recovery Management. Close monitoring and control processes, including the establishment of appropriate key risk indicators and key performance indicators are put in place

to ensure that risk profiles are managed within policy limits.

We have a formal programme for risk and self-assessment whereby risk owners are involved in the ongoing assessment and improvement of risk management and controls. Additionally, internal audit carries out internal control reviews and provides an independent report to the Audit Committee on the adequacy and effectiveness of the risk management and internal controls of the organization. Our statutory auditor carries out a review of our internal controls over financial reporting to the extent of the scope as laid out in their audit plans. Any material non-compliance and internal control weaknesses are reported to the Audit Committee.

The systems that are in place are intended to provide reasonable but not absolute assurance against material misstatements or loss, as well as to ensure the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with applicable legislation, regulations and best practices, and the identification and management of business risk.

## G. INSURANCE

Our insurance policies cover the entire gamut of our operations and protect the company from unexpected exigencies in the future. We have specialized policy coverage as the investment manager to HDFC Mutual Fund, which in addition to the company also includes our employees, directors and the trustee company of HDFC Mutual Fund. Our policies also include service provider liability coverage for the Registrar and Transfer Agent and custodians associated with our Mutual Fund business. We provide our employees with group term life and

personal accident cover in addition to medical insurance.

## H. INTELLECTUAL PROPERTY

We use, among others, the name, brand and trademarks "HDFC", "HDFC Mutual Fund", "HDFC Asset Management Company" and associated logos in the ordinary course of our business and in our corporate name. The trademark "HDFC" is owned by and is registered in favour of HDFC. HDFC has granted us the non-exclusive licence to use the trademark, "HDFC", which is subject to terms and conditions.

## I. DIGITAL PLATFORMS

Our digital platforms enable us to engage with all stakeholders in a manner that is efficient and leads to higher ease and convenience of transactions. Our digital properties are built using the latest technologies and provide the benefits of scale and security to our partners and customers.

Our partner portal and mobile application (MFOOnline Partners) for IFAs supports transactions and generating reports for end customers, while also providing all reports and tools, including financial planning and digital marketing to help IFAs better manage their business digitally. Our customer portal and mobile application, MFOOnline Investors enables digital transactions, reporting and host of other services for end customers.

Our website provides optimal user experience backed by well-organised content, search engine optimisation, effective calls to action and analytical tools to drive insights for personalisation. It is built on a custom content management system and enriched with multiple tools to address information needs of our customers and distributors.

**ELECTRONIC TRANSACTIONS :**

**42%**  
CAGR BETWEEN FY 14-15 AND FY 18-19

**67.2%**  
OF OUR TOTAL  
TRANSACTIONS IN FY 18-19

To enable ease of transition from the existing to the digital way of working, we are experimenting with different initiatives such as contact centre services for initiating transactions. In FY 18-19, approximately 17.2% of all our transactions were through HDFC MFOnline and our mobile applications. Further, we have also deployed a mobile application for our sales force.

**J. HUMAN RESOURCES**

Our people are the driving force behind our strategies and an inseparable part of our success. Our positive work environment, best-in-class people practices, competitive compensation and a rewarding culture make us one of the most preferred places to work in, enabling us to attract some of the finest talent in the industry. We have a succession plan to ensure uninterrupted talent availability and business continuity.

We have a sustained focus on engaging with employees, building technical capability and behavioral competence. Employee well-being and mental health, supportive and equal opportunity workplaces feature as top priorities for us. We have made significant efforts in these areas to be an employer of choice in the Industry.

In order to create value for our stakeholders we continue to invest in technology and adopt fair HR practices to empower our people creating a

supportive environment. We continue to uphold high standards of governance with respect to all statutory compliance and regulatory requirements.

**NUMBER OF EMPLOYEES**

**1,150**

**K. MARKETING AND DIGITAL INITIATIVES**

Our marketing function aims at capitalising on the opportunities available in the mutual fund industry due to low awareness and low penetration of the sector among Indian audiences.

Our audience can be divided into two broad segments, customers and distributors. Customers can further be categorised as existing customers and prospective customers. Based on this categorisation, we have divided our marketing objectives into two:

- Product communication meant for current and prospective customers and distributors
- Communication for mutual fund awareness for prospective customers

As part of the product communication objective, we cover regular updates on our schemes through various modes, such as presentations, leaflets, posters, fact sheets and videos. We also support our distributors with sales materials and ideas that they can use in their interactions with customers. As part of our customer awareness communication objective, we cover topics such as importance of financial planning and investing, planning for children, retirement and other financial goals, understanding asset classes, and power of compounding.

We engage with our audience through television, radio, outdoor marketing, digital and social media. We stay connected with our customers by way of emailers and text messages. We aim to

leverage the power of internet to connect to our customers and distributors. We have a strong online presence via our digital platforms for customers and distribution partners. We offer our services through our online portal HDFC MFOnline and our mobile applications.

**L. CUSTOMER SERVICE**

Our customers are pivotal to all our activities and we constantly strive to provide them with superior, high quality services.

Customers today are highly informed and expect quick, agile and efficient services. We engage closely with CAMS, one Registrar and Transfer Agent (RTA), to ensure that their processes, systems and staff training are aligned to our standards.

Ensuring that we maintain a high level of convenience at every level of customer interaction with us, we provide them with a gamut of touchpoints across both physical and digital worlds. Our customers connect with us through our network of 210 branches, the service centres of our RTA, a national call center, email, SMS and our social media platforms. These touchpoints cater to varied customer requirements including information regarding KYC and on-boarding, requests for statement of accounts, processing of transactions, etc.

The efficacy of our services is reflected in negligible number of complaints from our customers.

**Complaints as a percentage of transactions**

	(%)
FY 14-15	0.0267
FY 18-19	0.0119

## M. TRAINING AND INVESTOR EDUCATION

It is our constant endeavour to adopt innovative ideas for engaging with our distributors to provide them with requisite training. To this end, we have set up our Learning & Development academy, LEAP (Learn Evolve Achieve Progress) which provides various classroom-based learning interventions covering technical skills, functional skills, life skills and experiential learning modules. Many distributors have undertaken these courses with us. Through LEAP, we customise the training program as per the audience. We believe in integrating content with technology to provide best-in-class learning. We would continue to prepare well thought through and high quality training modules. Our participants go through a unique contextual methodology of learning as opposed to the conventional approach to learning.

We also conduct product-focussed training programmes to help business development executives while engaging with Banks, National Distributors and IFAs. This is done through both internally developed programs as well as the ones in which external trainers are involved. The topics range from basics of debt and equity markets and macroeconomic linkages to objection handling and investor behaviour, to name a few.

It is our belief that financial literacy and investor awareness are essential for the growth of the mutual fund industry in India. The Association of Mutual Funds in India has been set up as a central agency to set appropriate standards our industry. We strive to uphold these standards, and further implement various programmes and events to educate the public on investing in mutual funds. These include investor awareness programmes, which we conduct across India. We also have a comprehensive

'Learn' section in our website which caters to investors of different levels of understanding of Investments.

## N. SOCIAL INITIATIVE

In 2011, we launched the "HDFC Debt Fund for Cancer Cure" an innovative Mutual Fund offering, in association with Indian Cancer Society (ICS) which is one of India's oldest public charitable trust working in the area of cancer cure.

The HDFC Debt Fund for Cancer Cure was the first mutual fund offering in India dedicated to philanthropy well before CSR became mandatory under the Companies Act, 2013. This scheme pooled investor/donor funds through a 3 year close-ended mutual fund scheme. The subscriptions from investors were invested and the returns thereof, in the form of dividends were donated to ICS. On completion of the 3 year period, the amounts invested were returned to the investors. Till date, HDFC Mutual Fund has concluded 3 offerings of the Cancer Cure Fund (2011, 2014 & 2017) and has raised over ₹ 550 crore in subscriptions to these products. No investment management fee has been charged by the Company on these schemes.

In support of this social objective, the Company matches the donation of dividends made by investors by contributing an equal amount (subject to a limit of ₹ 15 crore p.a. or such higher limit as may be approved) thereby doubling the impact of donations. Over the time of our association with ICS we have helped them raise over ₹ 120 crore through our Cancer Cure Fund, including the Company's direct contribution towards the same. Till date this initiative has transformed the lives of over 7600 cancer patients from across the country.

ICS identifies needy patients eligible to receive donation through 16 affiliated hospitals across the country.

Patients need to satisfy certain eligibility conditions, and only after a thorough due diligence by a team of doctors, are approved by Governing Advisory Council to receive donations under this program. Our Managing Director, Milind Barve is a member of this council and actively participates in its proceedings.

Through this product we have made an attempt to create a new asset class in the world of investment products dedicated to philanthropy.

## O. RISKS AND THREATS

Our business depends on consumer confidence in the overall economy, economic growth rates, household savings rates and consumer attitudes towards financial savings, in particular, within India. Any adverse market rate fluctuations and/or adverse economic conditions could affect our business in many ways, including by reducing the value of our AUM, causing a decline in our revenue.

If our investment strategies perform poorly, our existing customers may reduce or withdraw their investments. Underperformance to benchmark could lead to a shift to low cost passive funds. We are exposed to credit risks, liquidity risks and market risks such as interest rate risks and price risks. We are also exposed to operational risks and legal risks. The effectiveness of our risk management is limited by the quality and availability of data. Our schemes and other investment products carry their own risks.

Our existing distributor relationships are key to the business. As many of our distribution relationships are non-exclusive, our distributors may provide similar services to our competitors or prioritise our competitors' investment product over ours.



We depend on the skills and expertise of our employees and our success depends on our ability to retain key members of our teams. If we are not able to retain existing employees or attract new talent, it could affect our operations resulting in decline in performance of our business.

We are dependent on the strength of our brand and reputation, as well as the brand and reputation of other HDFC group entities. While our brand is well recognised, we may be vulnerable to adverse market and customer perception, particularly in an industry where integrity, trust and customer confidence are paramount.

The regulatory environment in which we operate is subject to change. Changes to regulations could adversely impact our revenue and margins. Moreover, new laws or regulations applicable to us and our customers may adversely affect our business.

In terms of the SEBI Mutual Fund Regulations, we are required to avoid conflicts of interest in managing the affairs of our mutual fund schemes and keep the interest of our customers paramount in all matters. Accordingly, in the event of any conflict arising between the interests of our shareholders and the interests of our customers, we will have to prioritize the interests of our customers.

While we ensure that we are in compliance with all applicable laws, however any failure in detecting errors in our statutory records or errors or omissions in our business operations could expose us to potential losses and regulatory fines amongst others.

## P. OPERATIONS

Our operations are broadly bifurcated into mutual fund operations (MFO) and portfolio management services operations (PMSO). The MFO team is responsible for servicing customers of the Mutual Fund and segregated accounts. Their primary responsibilities include investment administration, banking, asset valuation and unit pricing, unit administration, overseeing customer service center operations and co-ordination with the RTA, redressal of customer grievances, anti-money laundering (AML), regulatory compliances/reporting and management information system. MFO are broadly classified into Investment administration operations, Banking operations, Fund accounting operations, Unit administration at CAMS, ISC operations, AML, and MIS and regulatory reporting. PMSO team performs functions such as, post trade investment support, cash management, treasury and settlement functions, recording of transactions in the books of accounts of the respective clients, valuation of securities in the clients' portfolios, providing various reports to management, liaising with bankers and custodians. The PMSO is independent of our MFO and is conducted on an arms-length basis with a separate set of systems and teams.

All operational activities are subject to audit. Internal auditors perform transactional and risk based audit, and process reviews on a regular basis. We have appointed auditors as required under relevant regulations for our schemes and the portfolio management and segregated account services. They audit the Mutual Fund scheme

accounts and the customer's accounts in respect of the Portfolio Management Service. In addition, all applications used in Operations are periodically subjected to reviews. Our audit committee reviews the auditors' reports and these reports are placed before our board and the board of our Trustee Company.

Systems and processes form the backbone of our operations with extensive focus on internal controls, minimizing operational risks, scalability and bringing about efficiency to meet various timelines. We continuously endeavor to keep upgrading our systems and re-engineer our processes to ensure maintenance of a very high standard of regulatory compliance and governance.

# Directors' Report

## To the Members

Your Directors have pleasure in presenting the Twentieth Annual Report together with the Audited Accounts of the Company for the financial year ended March 31, 2019.

## Financial Results

The financial performance of the Company for the financial year ended March 31, 2019 is summarised as below:

	₹ (in Crore)	
Financial Results	For the year ended March 31, 2019	For the year ended March 31, 2018
Profit before Tax	1,374.70	1,058.23
Less: Provision for Tax (Net of Deferred Tax)	444.10	346.94
Profit after Tax	930.60	711.29
Add/(Less): Other Comprehensive Income (Net of Tax)	(0.40)	0.05
Total Comprehensive Income	930.20	711.34
Balance of Retained earnings carried forward from previous year	1,567.67	1,333.96
Less: Interim Equity Dividend Paid	255.09	336.89
Less: Tax on Interim Equity Dividend Paid	52.43	68.58
Less: Transfer to General Reserve	-	72.16
Add: Other Adjustments	0.02	-
Balance of Retained Earnings carried to Balance Sheet	2,190.37	1,567.67

The Company has prepared its financial statements for the year ended March 31, 2019 for the first time under Indian Accounting Standards (Ind AS). The financial statements for the year ended March 31, 2018 have been restated in accordance with Ind AS for the purpose of comparative information.

For the year ended March 31, 2019, your Company posted a net profit of ₹ 930.60 Crore as against ₹ 711.29 Crore in the previous year. Appropriations from the net profit have been effected as per the summary given above.

For a detailed analysis of the financial performance of the Company for the year under review, refer to report on Management Discussion and Analysis.

Your Company does not have any subsidiary or an associate company or a joint venture company during the year under review.

## Dividend

### Interim Dividend

Your Directors had declared and paid an interim dividend during the financial year ended March 31, 2019 of ₹ 12/- per equity share (240%) of face value of ₹ 5/- each in the month of March 2019 involving a total outflow of ₹ 307.52 Crore (including dividend distribution tax of ₹ 52.43 Crore). An interim dividend of ₹ 16/- (320%) per equity share of face

value of ₹ 5/- each was confirmed and paid to its shareholders for previous financial year 2017-18.

### Final Dividend

Your Directors recommend payment of final dividend for the financial year ended March 31, 2019 of ₹ 12/- per equity share (240%) of face value of ₹ 5/- each.

The total dividend for the year is ₹ 24/- (480%) per equity share as against ₹ 16/- (320%) per equity share of face value of ₹ 5/- each for the previous year.

The dividend declared/recommended is in accordance with the principles and criteria as set out in the Dividend Distribution Policy which has been approved by the Board of Directors. The Dividend Distribution Policy of the Company is placed on the Company's website at <https://www.hdfcfund.com/about-us/governance/codes-policies> and the same is annexed as **Annexure I** in terms of Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations").

## Management Discussion and Analysis Report and Report of the Directors on Corporate Governance

In accordance with the SEBI Listing Regulations, the Management Discussion and Analysis Report and the Report of the Directors on Corporate Governance form part of this report.

### Transfer to General Reserves

There was no amount transferred to the General Reserves of your Company for the financial year 2018-19.

### Initial Public Offering (IPO)

The Board of Directors of your Company is pleased to inform that during the year under review, your Company has completed its highly successful Initial Public Offer (IPO) and received an overwhelming response for the same with an oversubscription of about 83 times.

IPO of your Company was by way of an offer for sale of 12.01% of the post-offer paid-up equity share capital of your Company. The equity shares of your Company are listed on the National Stock Exchange of India Limited and BSE Limited w.e.f. August 06, 2018.

## Capital Structure

### Issue of Equity Shares on a Private Placement Basis

Pursuant to the receipt of approval of the members at the Extra Ordinary General Meeting of the Company held on April 18, 2018, your Company issued and allotted 14,33,600 equity shares of the Company of ₹ 5/- each at an issue price of ₹ 1050/- per equity share aggregating to ₹ 1,50,52,80,000/- by way of a private placement in accordance with Sections 62(1)(c), 42 and other applicable provisions, if any, of the Companies Act, 2013 including the Rules framed thereunder.

### Proceeds from the Private placement issue:

The funds raised from the issuance of private placement were utilised for general corporate purposes including enhancement of the systems infrastructure.

### Allotment of Equity Shares under Employee Stock Option Schemes

During the year, your Company issued and allotted 5,84,410 equity shares of ₹ 5/- each of the Company to eligible employees on exercise of stock options granted under Employee Stock Option Schemes of the Company.

Consequently, the issued, subscribed and paid-up equity share capital increased from ₹ 1,05,27,76,000/- divided into 21,05,55,200 equity shares of ₹ 5/- each as on April 01, 2018 to ₹ 1,06,28,66,050/- divided into 21,25,73,210 equity shares of ₹ 5/- each as on March 31, 2019.

## Review of Operations

### Your Directors are pleased to report that:

Assets under Management (AuM) of HDFC Mutual Fund ("HDFC MF") at the close of financial year 2018-19 was ₹ 3,43,938 Crore as against an AuM of ₹ 2,91,985 Crore at the close of financial year 2017-18, an increase of 18%. HDFC MF is India's largest mutual fund in terms of total AuM with a market share of 14.5%. It is also the largest mutual fund in terms of actively managed equity-oriented funds, with a market share of 16.2%. The actively managed equity-oriented AuM of HDFC MF at the close of financial year 2018-19 was ₹ 1,64,263 Crore as against ₹ 1,44,925 Crore at the close of financial year 2017-18, an increase of 13%.

Your Company managed 91 lakh live accounts as on March 31, 2019, predominantly those of individual (retail) unitholders. The Individual monthly average AUM as a percent of total monthly average AUM as of March 2019 was 63.0% as against 62.2% as of March 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, 2019, your Company has 210 branches. 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 Schemes of HDFC MF. These offices supplement the investor-servicing network of your Company. Your Company services unitholders and over 75,000 empanelled distributors in approximately 200 cities pan India.

Your Company is the most preferred choice for retail investors, with the highest market share in assets from individual investors at 15.4%. Of the 1.93 Crore unique investors in mutual funds in India (as identified by PAN), we enjoy trust of 53 Lakh investors, a market share of 28%. Your Company's offering of systematic transactions further enhances its appeal to individual investors looking to invest periodically in a disciplined and risk-mitigating manner. Your Company processed Rs.1,182 Crore through systematic transactions in the month of March 2019. These monthly flows provide

a strong and growing "order book" provide predictable flows, with 78.4% of live systematic investment plans (SIPs) subscribed for a tenure of more than 5 years.

Your Company also provides portfolio management and segregated account services, including discretionary, non-discretionary and advisory services, to high net worth individuals (HNIs), family offices, domestic corporates, trusts, provident funds and domestic and global institutions. As on March 31, 2019, the aggregate assets under these services were at ₹ 9,755 Crore.

### **New Scheme Launched Under HDFC Mutual Fund**

The following open ended scheme was launched under HDFC MF during financial year 2018-19:

#### **HDFC Ultra Short Term Fund**

HDFC Ultra Short Term Fund ("the Scheme") was launched in the month of September 2018. The investment objective of the Scheme is to generate regular income through investments in Debt and Money Market Instruments while maintaining Macaulay duration of the portfolio between 3 months and 6 months. The Scheme aims to generate income through investments in a range of debt and money market instruments. The Scheme would endeavour to generate returns commensurate with low levels of interest rate risk. The Scheme shall endeavour to develop a well-diversified portfolio of debt (including Securitised debt) and money market instruments. The Scheme may also invest in the schemes of mutual funds. The NFO of the Scheme mobilised assets to the tune of ₹ 1161 Crore.

As of March 31, 2019, HDFC MF offered 147 schemes across asset classes to meet the varying investment needs of investors.

### **Change in fundamental attributes including other changes and merger of schemes of HDFC Mutual Fund**

In accordance with SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 6, 2017 read with circular no. SEBI/HO/IMD/DF3/CIR/P/2017/126 dated December 04, 2017 on "Categorization and Rationalization of Mutual Fund Schemes", HDFC Trustee Company Limited, Trustee to the schemes of HDFC MF, categorized and rationalized the existing open ended schemes of HDFC MF by inter alia approving certain changes to certain schemes of HDFC MF. These proposed changes were carried out by implementing changes in the fundamental attributes, other changes and merger of certain schemes of HDFC MF.

## **Directors and Key Managerial Personnel**

### **Non-Executive Directors**

In accordance with 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 the Company, Mr. N. K. Skeoch (DIN: 00165850) and Ms. Renu Sud Karnad (DIN: 00008064), Directors, are liable to retire by rotation at the ensuing Annual General Meeting (AGM) 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 resume of these Directors and other related information have been detailed in the Notice convening the AGM of your Company. Your Directors recommend their re-appointment as Non-Executive Directors of your Company.

Mr. Deepak Parekh (DIN : 00009078), Non - Executive Director, would attain the age of 75 years on October 18, 2019 and he would be able to continue his directorship in the Company post the said date subject to the approval of members by way of a special resolution in terms of Regulation 17(1A) of SEBI Listing Regulations. Necessary proposal for the same has been placed for your approval at the ensuing AGM.

### **Independent Directors**

Mr. Humayun Dhanrajgir (DIN:00004006), Mr. P. M. Thampi (DIN:00114522) and Mr. Rajeshwar Bajaj (DIN: 00419623), Independent Directors of the Company resigned, with effect from the close of business hours of October 31, 2018. The Board placed on record a vote of thanks and appreciation for the valuable contribution made by them over the years.

The Board appointed Mr. Dhruv Kaji (DIN: 00192559), Mr. Jairaj Purandare (DIN:00159886) and Mr. Sanjay Bhandarkar (DIN: 01260274) as Independent Directors (Additional Directors) of the Company for a term of 5 consecutive years effective October 31, 2018, subject to the approval of members at the ensuing Annual General Meeting (AGM).

The Board also appointed Mr. Parag Shah (DIN: 00374944) and Ms. Roshni Nadar Malhotra (DIN: 02346621) as Independent Directors (Additional Directors) of the Company for a term of 5 consecutive years effective January 22, 2019 and April 27, 2019, respectively, subject to the approval of members at the ensuing AGM.

Pursuant to provisions of Sections 149, 150 and 152 of the Companies Act, 2013 read with the Companies (Appointment

and Qualification of Directors) Rules, 2014, along with Schedule IV to the Companies Act, 2013, the following Independent Directors were appointed at the Extra Ordinary General Meeting of the members held on July 21, 2014, to hold office for a term of 5 consecutive years up to July 20, 2019, not liable to retire by rotation, on the Board of your Company:

1. Mr. Hoshang Billimoria
2. Mr. Vijay Merchant
3. Dr. Deepak Phatak

The Board re-appointed Mr. Hoshang Billimoria (DIN: 00005003) as an Independent Director of the Company for a second term commencing from July 21, 2019 till November 29, 2019 based on the performance evaluation, subject to the approval of members through special resolution at the ensuing AGM.

The necessary resolutions for the appointment/re-appointment of the above mentioned directors including their brief profiles and other related information have been included in the notice convening the ensuing AGM. Your Directors recommend their appointment/re-appointment as Independent Directors of your Company.

All the directors of the Company have confirmed that they are not disqualified for being appointed as directors as specified under Section 164 of the Companies Act, 2013.

### Key Managerial Personnel

In accordance with the provisions of Sections 2(51) and 203 of the Companies Act, 2013 read with the 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 of the Company.

### Declaration of Independence

In accordance with the provisions of Section 134(3)(d) of the Companies Act, 2013, Mr. Hoshang Billimoria, Dr. Deepak Phatak, Mr. Vijay Merchant, Mr. Dhruv Kaji, Mr. Jairaj Purandare, Mr. Sanjay Bhandarkar, Mr. Parag Shah and Ms. Roshni Nadar Malhotra, Independent Directors, have submitted declarations stating that they meet the criteria of independence as per the provisions of the Companies Act, 2013 and SEBI Listing Regulations.

Mr. Humayun Dhanrajgir, Mr. P. M. Thampi and Mr. Rajeshwar Bajaj, who resigned as Independent Directors of the Company w.e.f. October 31, 2018, had submitted

declarations at the beginning of the year stating that they meet the criteria of independence.

### Number of Meetings of the Board

During the financial year 2018-19, 7 (seven) meetings of the Board of Directors of your Company were held and the details of Board and Committee meetings held are provided in the Report of the Directors on Corporate Governance, which forms part of this report.

### Formal Annual Evaluation

Details on the formal annual evaluation of the performance of the Board, its committees and of individual directors are provided in the Report of the Directors on Corporate Governance, which forms part of this report.

### Nomination & Remuneration Policy

In terms of the requirements under Companies Act, 2013 and SEBI Listing Regulations, your Company has put in place a Nomination & Remuneration Policy, inter-alia, detailing the director's appointment, remuneration, criteria for determining qualifications, attributes, independence of a director and other matters. The remuneration paid to the Directors, Key Managerial Personnel and Senior Management is as per the Nomination & Remuneration Policy of your Company. The Nomination & Remuneration Policy is placed on the Company's website at <https://www.hdfcfund.com/about-us/governance/codes-policies>.

### Issue of Employee Stock Options

In line with the practice of incentivising the employees through issue of stock options, your 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 Employee Stock Option Scheme(s) 2015 - Series I&III and 2017 - Series I&II ("Schemes") for the purpose of administering the issue of stock options to the eligible Employees of your Company. There has been no material variation in the terms of the options granted under any of these schemes and all the schemes are in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014 ("ESOP Regulations"). However, the above Schemes, formulated prior to IPO by your Company, were aligned with the ESOP Regulations. The disclosures as required under the ESOP Regulations have been placed on the website of the Company at [www.hdfcfund.com](http://www.hdfcfund.com).

There were no stock options granted during the financial year 2018-19 and your Company will not make any fresh grant of stock options under these aforesaid Schemes. 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.

Further, the certificate required under Regulation 13 of the ESOP Regulations from the Statutory Auditors of the Company that the above Schemes have been implemented in accordance with the ESOP Regulations will be available at the ensuing AGM for inspection.

### Transition to Ind AS

The financial statements for the year ended March 31, 2019, are the first financial statements which the Company has prepared in accordance with Indian Accounting Standards (Ind AS). For periods up to and including the year ended March 31, 2018, your Company has prepared its financial statements in accordance with previous GAAP.

Accordingly, your Company has prepared financial statements which comply with Ind AS applicable for the year ended on March 31, 2019, together with the comparative period data as at and for the year ended March 31, 2018, as described in the significant accounting policies. In preparing these financial statements, your Company's opening balance sheet was prepared as at April 01, 2017 (your Company's date of transition to Ind AS). Note no. 39 under the notes to the financial statements, explains the principal adjustments made by the Company in restating its Previous GAAP financial statements, including the Balance Sheet as at April 01, 2017 and the financial statements as at and for the year ended March 31, 2018.

### Auditors and Auditors' Report

#### Statutory Auditors

In terms of Section 139 of the Companies Act, 2013 read with the 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 18<sup>th</sup> AGM till the conclusion of 23<sup>rd</sup> AGM, subject to ratification by the members at every AGM of the Company.

In accordance with the Companies Amendment Act, 2017 notified on May 07, 2018 by Ministry of Corporate Affairs, the appointment of statutory auditors is not required to be

ratified at every AGM. Accordingly, no proposal for ratification of appointment of M/s. B S R & Co. LLP as Statutory Auditors of the Company will be placed at the ensuing AGM.

#### Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Company has appointed M/s. Bhandari & Associates, Company Secretaries to conduct the Secretarial Audit of your Company for the financial year 2018-19. The Secretarial Audit Report is annexed herewith as **Annexure II** 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, were appointed as Internal Auditors of your Company for the financial year 2018-19.

#### Risk Management Policy

The Risk Management Policy of your Company, reviewed by the Audit Committee and approved by the Board, provides for the Enterprise Risk Management (ERM) framework to identify, assess, monitor and mitigate various business risks and this framework incorporates the systematic application of policies, procedures and checks to identify potential risks in the operational areas of the business and minimise 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 the Board of Directors at its meetings periodically reviews the progress and functioning of the ERM.

The primary business of your Company is to manage the schemes of HDFC Mutual Fund which requires specialised 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 HDFC Mutual Fund.

### Adequacy of Internal Controls

Your Company has internal control systems which commensurate with the size and complexity of its operations. The internal control systems comprise of standardised policies and procedures covering all functional areas aimed at ensuring sound management of operations, reliable financial reporting, safeguarding of assets and prevention and detection of frauds and errors. 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 Controls within your Company.

Further, the internal financial controls related to financial statements are found to be adequate and operating effectively and that no material weakness was noticed during the year under review.

### 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 approve activities to be undertaken, expenditure to be incurred and to monitor the performance of the CSR activities undertaken by the Company.

The CSR 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 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 to 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 III** 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 at <https://www.hdfcfund.com/about-us/corporate/csr>.

### Particulars of Contracts or Arrangements with Related Parties

During the year, 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 and applicable Accounting Standards, which were in the ordinary course of business and on arms' length basis and in accordance with the policy on Related Party Transactions of the Company.

The Related Party Transactions Policy of the Company ensures proper approval and reporting of the concerned transactions between the Company and related parties. The policy on Related Party Transactions is placed on the Company's website at <https://www.hdfcfund.com/about-us/governance/codes-policies>.

During the year, there was no material transaction with any related parties as per the Related Party Transactions Policy of the Company and all the related party transactions entered into by the Company were in the ordinary course of business and on an arm's length basis, hence, disclosure in Form AOC-2 is not applicable to the Company.

The disclosures pertaining to related party transactions as per the applicable Accounting Standards 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, if any, covered under the provisions of Section 186 of the Companies Act, 2013 are provided in the notes to financial statements.

### Deposits

During the year, 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.

### Unclaimed Dividend on Shares

As at March 31, 2019, dividend amounting to ₹ 312/- had not been claimed by shareholders of the Company. Your Company has transferred this amount of dividend to HDFC AMC Ltd. - Unpaid Interim Dividend A/c 2018-19. Your Company will disclose a statement containing the names, last known addresses and the unpaid dividend to be paid to each shareholder on the Company's website at [www.hdfcfund.com](http://www.hdfcfund.com).

### Unclaimed Suspense Account (IPO Related)

In relation to IPO of equity shares of the Company, 205 number of equity shares were transferred to the Unclaimed Suspense Account.

During the year under review, 13 claims were received by Karvy Fintech Pvt. Ltd, your Company's Registrar & Share Transfer

Agent, to transfer 205 shares held in unclaimed suspense share account and after thorough verification, all the 205 shares have been transferred to the respective shareholders.

There were no shares lying in the Unclaimed Suspense Account (IPO) as on March 31, 2019. Disclosure required under Regulation 39 read with Part F of Schedule V of SEBI Listing Regulations, is provided in the Report of Directors on Corporate Governance, which forms part of this report.

### Extract of Annual Return

As per the provisions of Companies Act, 2013, the details forming part of the extract of the Annual Return (in the prescribed Form MGT-9) as on the financial year ended March 31, 2019 is appended as **Annexure IV**.

A copy of the Annual Return is placed on the Company's website at [www.hdfcfund.com](http://www.hdfcfund.com).

### Vigil Mechanism/Whistle Blower Policy

Your Company has put in place a Whistle Blower Policy. More details are provided in the Report of the Directors on Corporate Governance, which forms part of this report.

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

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): ₹ 13.23 Crore (previous year: ₹ 14.09 Crore)
- Foreign exchange (expenditure): ₹ 17.21 Crore (previous year: ₹ 16.79 Crore - excluding Equity Dividend and ₹ 145.61 Crore - including Equity Dividend)

### Particulars of Employees

As on March 31, 2019, your Company has 1,150 employees and for the previous year, your Company had 995 employees.

In accordance with the provisions of Rule 5(2) of the Companies (Appointment and Remuneration of Managerial

Personnel) Rules, 2014, the names and particulars of the top ten employees in terms of remuneration drawn and of the aforesaid employees are set out in the annexure to this report. In terms of the provisions of Section 136(1) of the Companies Act, 2013, the Directors' Report is being sent to all shareholders of the Company excluding the annexure. Any shareholder interested in obtaining a copy of the annexure may write to the Company.

Further, disclosures on managerial remuneration as required under Section 197 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are appended as **Annexure V**.

### Other Disclosures

- There was no change in the nature of the business of the Company.
- There was no revision in the financial statements of the Company.
- Disclosure pertaining to maintenance of cost records as specified by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, is not applicable to your Company.
- Your Company has not issued any sweat equity shares to the employees of your Company.
- Your Company has not issued equity shares with differential rights as to dividend, voting or otherwise.
- Details of the Audit Committee of the Board of Directors including its composition are provided in the Report of the Directors on Corporate Governance, which forms part of this report.
- There was no receipt of any remuneration or commission by the Managing Director of the Company from its holding company.

### 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 judgements 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, 2019 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) Internal financial controls have been laid down to be followed by the Company and such internal financial controls are adequate and operating effectively; and
- (vi) Proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### Secretarial Standards

Your Company is in compliance with the provisions of the applicable Secretarial Standards issued by the Institute of Company Secretaries of India in terms of the Companies Act, 2013.

### 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 which lays down the guidelines for identification, reporting and prevention of undesired behaviour. 6 (six) Internal Committees (IC) for different regions were constituted in accordance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 with women employees being a majority and an external member. The Policy, IC Members' details and the penal consequences of violating the said Act/ Policy are displayed at all offices/ ISCs and on the intranet of the Company. Regular employee 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, tribunal impacting the going concern status of the Company and its operations in future.

On December 04, 2018, vide a settlement order issued by SEBI, your Company, without admitting or denying the violations, settled proceedings in connection with quasi – judicial proceedings initiated in respect of certain alleged violations under SEBI (Mutual Funds) Regulations, 1996 and circulars and/or guidelines issued, for an amount of ₹ 3,78,56,498/-.

Vide the said settlement order, SEBI has stated that the quasi judicial proceedings have been disposed off.

### Material Changes and Commitments, if any, Affecting the Financial Position of the Company from the Financial Year end till the Date of this Report

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 2018-19 and the date of this Report.

### Acknowledgements

The Directors take this opportunity to thank its investors, shareholders, bankers, distributors, key partners, Investor Service Centres and other service providers for their continued support. The Directors would like to convey their gratitude to Housing Development Finance Corporation Limited and Standard Life Investments Limited, promoters of your Company and look forward to their continued support.

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, Ministry of Corporate Affairs, Registrar of Companies, the stock exchanges and depositories.

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 26, 2019

CIN: L65991MH1999PLC123027

REGISTERED OFFICE:

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

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

## Annexure I

# Dividend Distribution Policy

### OBJECTIVE

This Policy seeks to outline broad parameters that may be applied and considered by the Board of Directors of HDFC Asset Management Company Limited ("the Company") for the purpose of recommending / declaring dividend to the shareholders of the Company. The Company has followed a stable dividend policy in the past and strives to maintain a consistent dividend payout ratio.

The policy is framed in lines with requirements of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

Accordingly, this Policy has been approved and adopted by the Board of Directors of the Company at its meeting held on March 8, 2018 and subsequently modified on February 26, 2019.

### A. POLICY ON DIVIDEND DISTRIBUTION

The Board, in light of the prevailing Companies Act 2013, Listing Regulations, Articles of Association and applicable law, while declaring / recommending dividend, shall ensure that an appropriate balance is maintained between adequately rewarding the shareholders and ensuring that adequate financial resources are available to fuel the growth aspirations of the Company.

The Company has so far had a practice of only declaring interim dividend which was subsequently confirmed by the shareholders as final dividend. However, this policy is now being amended to authorise the Board to (i) declare interim dividend followed by recommendation of such additional amount as final dividend, (ii) final dividend or (iii) special dividend, in each case as may be permitted under the Companies Act, 2013 or any amendment, modification, variation or re-enactment thereof.

#### I. Parameters to be considered before recommending dividend:

The Board of Directors shall inter alia consider the following parameters before recommending dividend:

##### Statutory and Regulatory Parameters

The Company shall declare dividend only after ensuring compliance with provisions of the Companies Act, 2013 and rules made thereunder, the SEBI (Listing Obligations and

Disclosure Requirements) Regulations, 2015 as amended and any other regulations as may be applicable from time to time.

##### Financial parameters

- Profits earned during the financial year;
- Accumulated reserves;
- Profitability outlook for the next two/three years;
- Investment requirements for the Company;
- Expected future capital/liquidity requirements;
- Brands or business acquisitions;
- Expansion or modernization of existing businesses;
- Additional investments in other businesses;
- Other factors and/or material events which the Board may consider.

##### External Factors

- Shareholder expectations, including individual shareholders;
- Macro-economic conditions;
- Taxation provisions;
- Unfavourable market conditions;
- Government policies.

### II. Circumstances under which the shareholders of the Company may or may not expect dividend

The Company may not distribute a dividend or may distribute a reduced quantum of dividend when there is absence or inadequacy of profits. Also, if one or more of the criterion for recommendation of dividend is not fulfilled by the Company, including any regulatory restriction placed on the Company on declaration of dividend, or if the Board is of the opinion that it would be prudent to conserve capital for growth or other exigencies, which shall be stated by the Board, dividend may not be declared or reduced dividend may be declared.

### III. Utilisation of retained earnings

Retained earnings shall be utilized in accordance with prevailing regulatory requirements, creating reserves for specific objectives, fortifying the balance sheet against contingencies, generating higher returns for shareholders through reinvestment of profits for future growth and expansion and any other specific purpose as approved by the Board of Directors of the Company.

The Company shall endeavor to utilize retained earnings in a manner that shall be beneficial to both, the interests of the Company and its stakeholders.

Following a review of the above parameters, the Board shall take a view on the extent of Dividend to be distributed to the shareholders.

The Company currently has only one class of equity shares that are fully paid-up, which rank pari passu with respect to voting and dividend.

#### **B. CONFLICT IN POLICY**

In the event of a conflict between this policy and the extant regulations, the regulations shall prevail.

#### **C. DISCLOSURE OF POLICY**

The Dividend Distribution Policy shall be disclosed in the Annual Report of the Company and placed on the Company's website at [www.hdfcfund.com](http://www.hdfcfund.com).

#### **D. AMENDMENTS**

Any subsequent amendment/modification in the Act, SEBI regulations and/or other applicable laws in this regard shall automatically apply to this Policy.

#### **E. REVIEW OF POLICY**

The Board shall review the Dividend Distribution Policy of the Company every two years.

## Annexure II

### **Secretarial Audit Report for the financial year ended March 31, 2019**

*[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: L65991MH1999PLC123027**

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 authorised 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 March 31, 2019 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 March 31, 2019 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, 2018;
- 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, 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.

During the year, SEBI, vide its letter dated May 31, 2018, initiated, quasi-judicial proceedings for certain alleged violations of the SEBI Mutual Fund Regulations, 1996 and circulars and guidelines issued thereunder against the Company arising from the inspection conducted on the schemes of HDFC Mutual Fund for the period from April 01, 2014 to March 31, 2016. The Company, on a suo-moto basis, filed a settlement application, under the SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014, for settling any adjudication proceedings. The Adjudicating officer in the matter issued a Settlement order dated December 04, 2018 and the Company has paid the settlement amount to SEBI.

**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 April 16, 2018, for issued and allotted 14,33,600 equity shares by way of private placement basis.
2. Members' approval has been obtained at the Annual General Meeting held on April 17, 2018, *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 ₹ 2,000 Crore;
3. The Company has completed the initial public offering ('IPO') through an offer for sale of 2,54,57,555 equity shares (85,92,970 equity shares by Housing Development Finance Corporation Limited and 1,68,64,585 equity shares by Standard Life Investments Limited) of face value of ₹ 5 each at a price of ₹ 1,100 per equity share aggregating up to ₹ 2,800.33 Crore. The equity shares of the Company were listed on National Stock Exchange of India Limited ('NSE') and BSE Limited ('BSE') on August 06, 2018.

For Bhandari & Associates  
Company Secretaries

**S. N. Bhandari**

Partner  
FCS No. 761; C P No. 366  
Mumbai | April 26, 2019

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.

To,  
The Members,  
**HDFC ASSET MANAGEMENT COMPANY LIMITED**  
**CIN: L65991MH1999PLC123027**

Our Secretarial Audit Report for the Financial Year ended on March 31, 2019 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 Account 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 26, 2019

## Annexure III

# 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

<b>1</b>	<b>A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.</b>	The Company carries its Corporate Social Responsibility (CSR) activities through various implementing agencies. The details of the AMC's CSR Initiatives project/programmes and activities are provided in this annexure and more particularly specified in the CSR Policy which is uploaded and can be viewed on <a href="https://www.hdfcfund.com/about-us/corporate/csr">https://www.hdfcfund.com/about-us/corporate/csr</a>
<b>2</b>	<b>The Composition of the CSR Committee</b>	As on March 31, 2019, the CSR Committee comprised of following members of the Board – Mr. Deepak S. Parekh (Chairman), Mr. Vijay Merchant Mr. Milind Barve (Managing Director)
<b>3</b>	<b>Average net profit of the Company for last three financial years:</b>	₹ 808.54 Crore
<b>4</b>	<b>Prescribed CSR Expenditure (2% of the amount as in item 3 above):</b>	₹ 16.17 Crore
<b>5</b>	<b>Details of CSR spent during the financial year:</b>	
(a)	Total amount spent for the financial year:	₹ 16.98 Crore
(b)	Amount unspent, if any:	Not Applicable

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

(₹ in Crore)

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)	Up to ₹ 15 Crore per annum for 3 years effective FY 2017-18 & Dividend on the investment made in HDFC Charity Fund for Cancer 2017 (Scheme) by the Company for 3 years effective FY 2017-18 & Additional amount of ₹ 1 Crore	15.48	-	39.94	15.48 Implementing Agency
2.	The Ray of Light Foundation	Promoting preventive health care	Chennai (Tamil Nadu)	0.25	0.25	-	0.95	0.25 Implementing Agency
3.	Army Central Welfare Fund	Measures for the benefit of armed forces veterans, war widows and their dependents	New Delhi	0.75	0.75	-	0.75	0.75 Implementing Agency
4.	Foundation for Olympic Gold Quest	Training to promote Olympic Sports	Mumbai (Maharashtra)	0.50	0.50	-	1.45	0.50 Implementing Agency
<b>TOTAL</b>					<b>16.98</b>			<b>16.98</b>

Details of implementing agency: Implementing Agencies include Indian Cancer Society (ICS), The Ray of Light Foundation, Army Central Welfare Fund and Foundation for Olympic Gold Quest. Details of the Implementing agencies can be viewed on [www.hdfcfund.com](http://www.hdfcfund.com)

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

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.

Sd/-

**Deepak Parekh**

Chairman of Corporate Social  
Responsibility Committee

Sd/-

**Milind Barve**

Managing Director



## Annexure IV

### Extract of Annual Return as on the financial year ended on March 31, 2019 - Form MGT-9

[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

#### I. REGISTRATION AND OTHER DETAILS:

CIN:	L65991MH1999PLC123027
Registration Date:	10-12-1999
Name of the Company:	<b>HDFC Asset Management Company Limited</b>
Category / Sub-Category of the Company:	Company Limited by Shares / Non-Government Company
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. No.: +91 22 6631 6333 Fax No.: +91 22 6658 0203
Whether listed company:	Yes
Name, Address and Contact details of Registrar and Transfer Agent:	Karvy Fintech Private Limited Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad – 500 032, Telangana. E-mail: einward.ris@karvy.com Tel. No.: +91 40 6716 2222 Fax No.: +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 product / service	NIC Code of the product / service	% to total turnover of the Company
1.	Investment Manager	66301	98.97%

#### 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.	Housing Development Finance Corporation Limited, Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai - 400 020	L70100MH1977PLC019916	Holding Company	52.77	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 (i.e. as on April 01, 2018)				No. of Shares held at the end of the year (i.e. as on March 31, 2019)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual / HUF	-	-	-	-	-	-	-	-	-
b) Central Government / State Government	-	-	-	-	-	-	-	-	-
c) Bodies Corporates	12,07,72,800	-	12,07,72,800	57.36	11,21,79,830	-	11,21,79,830	52.77	(4.59)
d) Banks / Financial Institution	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A) (1)	12,07,72,800	-	12,07,72,800	57.36	11,21,79,830	-	11,21,79,830	52.77	(4.59)
<b>(2) Foreign</b>									
a) NRIs / Foreign Individuals	-	-	-	-	-	-	-	-	-
b) Bodies Corporates	8,05,15,200	-	8,05,15,200	38.24	6,36,50,615	-	6,36,50,615	29.94	(8.30)
c) Banks / Financial Institutions	-	-	-	-	-	-	-	-	-
d) Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A) (2)	8,05,15,200	-	8,05,15,200	38.24	6,36,50,615	-	6,36,50,615	29.94	(8.30)
<b>Total shareholding of Promoter and Promoter Group (A) = (A)(1)+(A)(2)</b>	20,12,88,000	-	20,12,88,000	95.60	17,58,30,445	-	17,58,30,445	82.72	(12.88)
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	-	-	-	-	19,45,093	-	19,45,093	0.92	0.92
b) Banks / FI	-	-	-	-	3,01,739	-	3,01,739	0.14	0.14
c) Central Government / State Government	-	-	-	-	-	-	-	-	-
d) Venture Capital Funds	-	-	-	-	-	-	-	-	-
e) Insurance Companies	-	-	-	-	-	-	-	-	-
f) Foreign Institutional Investors / Foreign Portfolio Investors	-	-	-	-	88,62,255	-	88,62,255	4.17	4.17
g) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
h) Others (Alternative Investment Funds)	-	-	-	-	24,60,784	-	24,60,784	1.16	1.16
Sub-total (B)(1)	-	-	-	-	1,35,69,871	-	1,35,69,871	6.38	6.38
<b>2. Non-Institutions</b>									
a) Bodies Corporates	-	-	-	-	16,34,832	-	16,34,832	0.77	0.77
b) Individuals									
i) Individual shareholders holding nominal share capital up to ₹ 1 Lakh	1,02,400	-	1,02,400	0.05	1,22,62,146	14	1,22,62,160	5.77	5.72
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	77,24,800	-	77,24,800	3.67	69,72,553	-	69,72,553	3.28	(0.39)
c) Others (specify)									
i. Clearing Members	-	-	-	-	2,04,383	-	2,04,383	0.10	0.10
ii. Non-Resident Indians / Foreign Nationals	-	-	-	-	5,12,655	-	5,12,655	0.24	0.24
iii. NBFC	-	-	-	-	5,474	-	5,474	0.00	0.00
iv. Trusts	-	-	-	-	27,313	-	27,313	0.01	0.01
v. Directors and their relatives	14,40,000	-	14,40,000	0.68	15,38,709	-	15,38,709	0.72	0.04
vi. Beneficiary Holding under MGT-4	-	-	-	-	14,815	-	14,815	0.01	0.01
Sub-total (B)(2)	92,67,200	-	92,67,200	4.40	2,31,72,880	14	2,31,72,894	10.90	6.50
<b>Total Public Shareholding (B) = (B)(1)+(B)(2)</b>	92,67,200	-	92,67,200	4.40	3,67,42,751	14	3,67,42,765	17.28	12.88
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
<b>Grand Total (A+B+C)</b>	21,05,55,200	-	21,05,55,200	100	21,25,73,196	14	21,25,73,210	100	0.00

**(ii) Shareholding of Promoters**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year (i.e. as on April 01, 2018)			Share holding at the end of the year (i.e. as on March 31, 2019)			% Change in shareholding 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.	Housing Development Finance Corporation Limited#	12,07,72,800	57.36	-	11,21,79,830	52.77	-	(4.59)
2.	Standard Life Investments Limited#	8,05,15,200	38.24	-	6,36,50,615	29.94	-	(8.30)

# The percentage change is due to private placement, initial public offering through offer for sale by promoters and due to exercise of options under ESOS Scheme.

**(iii) Change in Promoters' Shareholding (Please specify, if there is no change)**

Sr. No.	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment/ transfer/ bonus/ sweat equity etc)	Shareholding at the beginning of the year		Cumulative shareholding during the year		
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company	
1.	<b>Housing Development Finance Corporation Limited#</b>					
	At the beginning of the year	01/04/2018	12,07,72,800	57.36	12,07,72,800	57.36
	Offer for Sale for Public Issue	02/08/2018	(85,92,970)	(4.05)	11,21,79,830	52.92
	At the end of the year	31/03/2019	-	-	11,21,79,830	52.77
2.	<b>Standard Life Investments Limited#</b>					
	At the beginning of the year	01/04/2018	8,05,15,200	38.24	8,05,15,200	38.24
	Offer for Sale for Public Issue	02/08/2018	(1,68,64,585)	(7.96)	6,36,50,615	30.03
	At the end of the year	31/03/2019	-	-	6,36,50,615	29.94

#The percentage change is due to private placement, initial public offering through offer for sale by promoters and due to exercise of options under ESOS Scheme.

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

Sr. No.	Name of Shareholder	Date	Shareholding at the beginning of the year		Cumulative shareholding during the year	
			No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	<b>Smallcap World Fund, Inc.</b>					
	At the beginning of the year	-	-	-	-	-
	Bought during the year	-	22,81,986	1.07	22,81,986	1.07
	Sold During the year	-	-	-	-	-
	At the end of the year	-	-	-	22,81,986	1.07
2.	<b>KKR India Debt Opportunities Fund II</b>					
	At the beginning of the year	-	-	-	-	-
	Bought during the year	-	12,82,100	0.60	12,82,100	0.60
	Sold During the year	-	-	-	-	-
	At the end of the year	-	-	-	12,82,100	0.60
3.	<b>The Regents of The University of California – State Street Global Advisors</b>					
	At the beginning of the year	-	-	-	-	-
	Bought during the year	-	11,55,188	0.54	11,55,188	0.54
	Sold During the year	-	-	-	-	-
	At the end of the year	-	-	-	11,55,188	0.54

Sr. No.	Name of Shareholder	Date	Shareholding at the beginning of the year		Cumulative shareholding during the year	
			No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
4.	<b>Prashantkumar Rajendra Jain</b>					
	At the beginning of the year	-	8,88,000	0.42	8,88,000	0.42
	Bought during the year	-	-	-	-	-
	Sold During the year	-	-	-	-	-
	At the end of the year	-	-	-	8,88,000	0.42
5.	<b>SBI Magnum Multicap Fund</b>					
	At the beginning of the year	-	-	-	-	-
	Bought during the year	-	4,75,500	0.22	4,75,500	0.22
	Sold During the year	-	-	-	-	-
	At the end of the year	-	-	-	4,75,500	0.22
6.	<b>American Funds Insurance Series Global Small Capitalisation Fund</b>					
	At the beginning of the year	-	-	-	-	-
	Bought during the year	-	4,46,831	0.21	4,46,831	0.21
	Sold During the year	-	-	-	-	-
	At the end of the year	-	-	-	4,46,831	0.21
7.	<b>Vanguard Total International Stock Index Fund</b>					
	At the beginning of the year	-	-	-	-	-
	Bought during the year	-	4,43,695	0.21	4,43,695	0.21
	Sold During the year	-	-	-	-	-
	At the end of the year	-	-	-	4,43,695	0.21
8.	<b>Mirae Asset India Equity Fund</b>					
	At the beginning of the year	-	-	-	-	-
	Bought during the year	-	4,71,488	0.22	4,71,488	0.22
	Sold During the year	-	(1,00,000)	(0.05)	3,71,488	0.17
	At the end of the year	-	-	-	3,71,488	0.17
9.	<b>Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds</b>					
	At the beginning of the year	-	-	-	-	-
	Bought during the year	-	3,44,138	0.16	3,44,138	0.16
	Sold During the year	-	-	-	-	-
	At the end of the year	-	-	-	3,44,138	0.16
10.	<b>Columbia Emerging Markets Fund</b>					
	At the beginning of the year	-	-	-	-	-
	Bought during the year	-	2,84,897	0.13	2,84,897	0.13
	Sold During the year	-	-	-	-	-
	At the end of the year	-	-	-	2,84,897	0.13
11.	<b>Shobhit Mehrotra #</b>					
	At the beginning of the year	-	3,60,000	0.17	3,60,000	0.17
	Bought during the year	-	435	0.00	3,60,435	0.17
	Sold During the year	-	(76,189)	(0.04)	2,84,246	0.13
	At the end of the year	-	-	-	2,84,246	0.13

Sr. No.	Name of Shareholder	Date	Shareholding at the beginning of the year		Cumulative shareholding during the year	
			No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
12	<b>Anil Mangilal Bamboli#</b>					
	At the beginning of the year	-	2,80,000	0.13	2,80,000	0.13
	Bought during the year	-	422	0.00	2,80,422	0.13
	Sold During the year	-	(24,498)	(0.01)	2,55,924	0.12
	At the end of the year	-	-	-	2,55,924	0.12
13.	<b>Chirag Setalvad#</b>					
	At the beginning of the year	-	3,20,000	0.15	3,20,000	0.15
	Bought during the year	-	422	0.00	3,20,422	0.15
	Sold During the year	-	(70,000)	(0.03)	2,50,422	0.12
	At the end of the year	-	-	-	2,50,422	0.12
14.	<b>Rakesh Vyas#</b>					
	At the beginning of the year	-	2,40,000	0.11	2,40,000	0.11
	Bought during the year	-	422	0.00	2,40,422	0.11
	Sold During the year	-	-	-	-	-
	At the end of the year	-	-	-	2,40,422	0.11
15.	<b>Shyamali Basu#</b>					
	At the beginning of the year	-	2,64,000	0.13	2,64,000	0.13
	Bought during the year	-	-	-	-	-
	Sold During the year	-	(24,489)	(0.01)	2,39,511	0.11
	At the end of the year	-	-	-	2,39,511	0.11
16.	<b>Naveen Gogia#</b>					
	At the beginning of the year	-	2,40,000	0.11	2,40,000	0.11
	Bought during the year	-	422	0.00	2,40,422	0.11
	Sold During the year	-	(20,000)	(0.01)	2,20,422	0.10
	At the end of the year	-	-	-	2,20,422	0.10
17.	<b>Yezdi Khariwala#</b>					
	At the beginning of the year	-	3,04,000	0.14	3,04,000	0.14
	Bought during the year	-	8,422	0.00	3,12,422	0.15
	Sold During the year	-	(1,00,000)	(0.05)	2,12,400	0.10
	At the end of the year	-	-	-	2,12,422	0.10
18.	<b>Srikanth G#</b>					
	At the beginning of the year	-	2,24,800	0.11	2,24,800	0.11
	Bought during the year	-	422	0.00	2,25,222	0.11
	Sold During the year	-	(53,650)	(0.03)	1,71,572	0.08
	At the end of the year	-	-	-	1,71,572	0.08
19.	<b>Suresh Babu V#</b>					
	At the beginning of the year	-	2,20,000	0.10	2,20,000	0.10
	Bought during the year	-	5,922	0.00	2,25,922	0.11
	Sold During the year	-	(62,717)	(0.03)	1,63,205	0.08
	At the end of the year	-	-	-	1,63,205	0.08

Notes: (1) The shares of the Company are substantially held in dematerialised form and are traded on daily basis and hence, the date wise increase / decrease in shareholding is not indicated.

(2) The list of Top Ten Shareholders is derived based on PAN consolidation.

# Not in the list of Top 10 shareholders as on March 31, 2019. The same has been reflected above since they were in the Top 10 shareholders as on March 31, 2018.

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

Sr. No.	Name of the Director / Key Managerial Personnel	Date	Shareholding at the beginning of the year		Cumulative shareholding during the year	
			No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
<b>I. Directors</b>						
1.	<b>Deepak Parekh</b>					
	At the beginning of the year	01/04/2018	1,60,000	0.08	1,60,000	0.08
	At the end of the year	31/03/2019	-	-	1,60,000	0.08
2.	<b>Keki Mistry</b>					
	At the beginning of the year	01/04/2018	1,20,000	0.06	1,20,000	0.06
	Allotment pursuant to IPO	02/08/2018	320	0.00	1,20,320	0.06
	Allotment pursuant to ESOP	05/02/2019	48,000	0.02	1,68,320	0.08
	At the end of the year	31/03/2019	-	-	1,68,320	0.08
3.	<b>Renu Karnad</b>					
	At the beginning of the year	01/04/2018	1,20,000	0.06	1,20,000	0.06
	Allotment pursuant to IPO	02/08/2018	320	0.00	1,20,320	0.06
	Allotment pursuant to ESOP	05/02/2019	48,000	0.02	1,68,320	0.08
	At the end of the year	31/03/2019	-	-	1,68,320	0.08
4.	<b>Vijay Merchant</b>					
	At the beginning of the year	01/04/2018	-	-	-	-
	Allotment pursuant to IPO	02/08/2018	46	0.00	46	0.00
	At the end of the year	31/03/2019	-	-	46	0.00
5.	<b>Hoshang S. Billimoria</b>					
	At the beginning of the year	01/04/2018	-	-	-	-
	Allotment pursuant to IPO	02/08/2018	14	0.00	14	0.00
	At the end of the year	31/03/2019	-	-	14	0.00
6.	<b>Deepak Phatak</b>					
	At the beginning of the year	01/04/2018	-	-	-	-
	At the end of the year	31/03/2019	-	-	-	-
7.	<b>Jairaj Purandare (Appointed w.e.f. October 31, 2018)</b>					
	At the beginning of the year	01/04/2018	-	-	-	-
	At the end of the year	31/03/2019	-	-	-	-
8.	<b>Sanjay Bhandarkar (Appointed w.e.f. October 31, 2018)</b>					
	At the beginning of the year	01/04/2018	-	-	-	-
	At the end of the year	31/03/2019	-	-	-	-
9.	<b>Dhruv Kaji (Appointed w.e.f. October 31, 2018)</b>					
	At the beginning of the year	01/04/2018	-	-	-	-
	At the end of the year	31/03/2019	-	-	-	-
10.	<b>Parag Shah (Appointed w.e.f. January 22, 2019)</b>					
	At the beginning of the year	01/04/2018	-	-	-	-
	At the end of the year	31/03/2019	-	-	-	-
11.	<b>James B. Aird</b>					
	At the beginning of the year	01/04/2018	-	-	-	-
	At the end of the year	31/03/2019	-	-	-	-

Sr. No.	Name of the Director / Key Managerial Personnel	Date	Shareholding at the beginning of the year		Cumulative shareholding during the year	
			No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
<b>12. N. K. Skeoch</b>						
	At the beginning of the year	01/04/2018	-	-	-	-
	At the end of the year	31/03/2019	-	-	-	-
<b>II. Key Managerial Personnel</b>						
<b>1. Milind Barve (Managing Director)</b>						
	At the beginning of the year	01/04/2018	10,40,000	0.49	10,40,000	0.49
	At the end of the year	31/03/2019	-	-	10,40,000	0.49
<b>2. Piyush Surana (Chief Financial Officer)</b>						
	At the beginning of the year	01/04/2018	1,60,000	0.08	1,60,000	0.08
	Allotment pursuant to IPO	02/08/2018	422	0	1,60,422	0.08
	Market Sale	27/08/2018	(20,000)	(0.01)	1,40,422	0.07
	Market Sale	31/08/2018	(10,000)	0.00	1,30,422	0.06
	Allotment pursuant to ESOP	05/02/2019	7,200	0.00	1,37,622	0.06
	At the end of the year	31/03/2019	-	-	1,37,622	0.06
<b>3. Sylvia Furtado (Company Secretary)</b>						
	At the beginning of the year	01/04/2018	1,20,000	0.06	1,20,000	0.06
	Allotment pursuant to IPO	02/08/2018	468	0.00	1,20,468	0.06
	Market Sale	27/08/2018	(7,500)	0.00	1,12,968	0.05
	Market Sale	28/08/2018	(1,000)	0.00	1,11,968	0.05
	Market Sale	10/12/2018	(5,000)	0.00	1,06,968	0.05
	Market Sale	12/12/2018	(2,000)	0.00	1,04,968	0.05
	Market Sale	13/12/2018	(375)	0.00	1,04,593	0.05
	Market Sale	14/12/2018	(625)	0.00	1,03,968	0.05
	Market Sale	17/12/2018	(500)	0.00	1,03,468	0.05
	Market Sale	18/12/2018	(1,500)	0.00	1,01,968	0.05
	Market Sale	19/12/2018	(5,000)	0.00	96,968	0.05
	Allotment pursuant to ESOP	05/02/2019	6,000	0.00	1,02,968	0.05
	At the end of the year	31/03/2019	-	-	1,02,968	0.05

Notes:1) Mr. Humayun Dhanrajgir ceased to be an Independent Director w.e.f. October 31, 2018 and holds 100 Equity shares as on March 31, 2019.

2) Mr. P. M. Thampi ceased to be an Independent Director w.e.f. October 31, 2018 and holds 46 Equity Shares as on March 31, 2019.

3) Mr. Rajeshwar Bajaaj ceased to be an Independent Director w.e.f. October 31, 2018 and holds 18 Equity Shares as on March 31, 2019.

4) Ms. Roshni Nadar Malhotra was appointed as an Independent Director (Additional Director) of the Company w.e.f. April 27, 2019. She does not hold any equity shares of the Company as on her date of appointment

**V. INDEBTEDNESS:**

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
<b>Total (i+ii+iii)</b>				
<b>Change in Indebtedness during the financial year</b>				
- Addition				
- Reduction		NIL		
<b>Net Change</b>				
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
<b>Total (i+ii+iii)</b>				

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:****A. Remuneration to Milind Barve - Managing Director**

		₹ (in Crore)
Sr. No.	Particulars of Remuneration	Amount
1.	Gross salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961 <sup>®</sup>	3.22
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961*	0.03
	(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	3.95
5.	Others, please specify	-
	<b>Total (A)</b>	<b>7.20</b>
	Ceiling as per the Act	<b>5% of the net profits of the Company</b>

<sup>®</sup>Expenses towards gratuity and leave encashment provisions are determined actuarially on an overall basis at the end of each year and accordingly, have not been considered in the above information.

\*During the year no stock options were granted or exercised. However, effective from April 01, 2018, the Company has converged to Ind AS and in compliance with Ind AS 102, an aggregate amount of ₹ 0.16 Crore has been charged to the Statement of Profit and Loss Account with a corresponding credit to the Reserves.



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

₹ (in Crore)

Sr. No.	Name of Directors	Particulars of Remuneration			Total Amount
		Fee for attending board / committee meetings	Commission	Others, please specify	
1.	Mr. Deepak Phatak	0.16	-	-	0.16
2.	Mr. Vijay Merchant	0.31	-	-	0.31
3.	Mr. Hoshang Billimoria	0.24	-	-	0.24
4.	Mr. Dhruv Kaji	0.08	-	-	0.08
5.	Mr. Jairaj Purandare	0.07	-	-	0.07
6.	Mr. Sanjay Bhandarkar	0.08	-	-	0.08
7.	Mr. Parag Shah	0.02	-	-	0.02
8.	Mr. P. M. Thampi*	0.12	-	-	0.12
9.	Mr. Rajeshwar Bajaaj*	0.11	-	-	0.11
10.	Mr. Humayun Dhanrajgir*	0.09	-	-	0.09
<b>Total (I)</b>		<b>1.28</b>	<b>-</b>	<b>-</b>	<b>1.28</b>

\* Mr. P. M. Thampi, Mr. Humayun Dhanrajgir and Mr. Rajeshwar Bajaaj have resigned w.e.f. October 31, 2018.

**II: Other Non-Executive Directors**

₹ (in Crore)

Sr. No.	Name of Directors	Particulars of Remuneration			Total Amount
		Fee for attending board / committee meetings	Commission	Others, please specify	
1.	Mr. Deepak Parekh	0.21	-	-	0.21
2.	Mr. Keki Mistry	0.21	-	-	0.21
3.	Ms. Renu Karnad	0.15	-	-	0.15
4.	Mr. N. Keith Skeoch	-	-	-	-
5.	Mr. James Aird	-	-	-	-
<b>Total (II)</b>		<b>0.57</b>	<b>-</b>	<b>-</b>	<b>0.57</b>
<b>Total Managerial Remuneration (B) = (I + II)</b>		<b>1.85</b>	<b>-</b>	<b>-</b>	<b>1.85</b>
Ceiling as per the Act		1% of the Net Profits of the Company			

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

				₹ (in Crore)
Sr. No.	Particulars of Remuneration	Mr. Piyush Surana - Chief Financial Officer	Ms. Sylvia Furtado - Company Secretary	Total
1.	Gross salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961 <sup>®</sup>	1.39	0.81	2.20
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961*	-	-	-
	(c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961	-	-	-
2.	Stock Option <sup>#</sup>	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
5.	Others, please specify	-	-	-
	<b>Total (C)</b>	<b>1.39</b>	<b>0.81</b>	<b>2.20</b>

<sup>®</sup>Expenses towards gratuity and leave encashment provisions are determined actuarially on an overall basis at the end of each year and accordingly, have not been considered in the above information.

\*Excludes value of perquisite upon exercise of stock options granted during earlier financial years. The perquisite value of the stock options at the time of grant was nil. However, effective from April 01, 2018, the Company has converged to Ind AS and in compliance with Ind AS 102, an aggregate amount of ₹ 0.04 Crore has been charged to the Statement of Profit and Loss Account with a corresponding credit to the Reserves.

<sup>#</sup>During the year no stock options were granted.

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

During the year under review, the Company, its directors or any of its officers were not liable for any penalty, punishment or any compounding of offences under the Companies Act, 2013.

## Annexure V

### Disclosures on Managerial Remuneration

Details of remuneration as required under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided below:

#### Ratio of remuneration of each director to the median employees' remuneration for FY 2018-19

Name	Designation	Ratio of remuneration to the median employees' remuneration
Mr. Milind Barve	Managing Director	81:1
Mr. Deepak S. Parekh	Non-Executive, Non-Independent Director	2:1
Dr. Deepak Phatak	Non-Executive, Independent Director	2:1
Mr. James Aird	Non-Executive, Non-Independent Director	-
Mr. Keki Mistry	Non-Executive, Non-Independent Director	2:1
Mr. Norman Keith Skeoch	Non-Executive, Non-Independent Director	-
Ms. Renu Karnad	Non-Executive, Non-Independent Director	2:1
Mr. Hoshang Billimoria	Non-Executive - Independent Director	3:1
Mr. Vijay Merchant	Non-Executive, Independent Director	3:1
<sup>1</sup> Mr. Dhruv Kaji	Non-Executive, Independent Director	1:1
<sup>1</sup> Mr. Jairaj Purandare	Non-Executive, Independent Director	1:1
<sup>1</sup> Mr. Sanjay Bhandarkar	Non-Executive, Independent Director	1:1
<sup>2</sup> Mr. Parag Shah	Non-Executive, Independent Director	-
<sup>3</sup> Mr. P. M. Thampi	Non-Executive, Independent Director	1:1
<sup>3</sup> Mr. Rajeshwar Bajaaj	Non-Executive, Independent Director	1:1
<sup>3</sup> Mr. Humayun Dhanrajgir	Non-Executive, Independent Director	1:1

<sup>1</sup>Appointed as Independent Directors of the Company w.e.f. October 31, 2018

<sup>2</sup>Appointed as an Independent Director of the Company w.e.f. January 22, 2019

<sup>3</sup>Resigned as Independent Directors of the Company w.e.f. October 31, 2018

Ms. Roshni Nadar Malhotra was appointed as an Independent Director of the Company w.e.f. April 27, 2019.

#### Percentage increase in the remuneration of each director and key managerial personnel in FY 2018-19

##### Key Managerial personnel

Name	Designation	Increase in Remuneration (%)
Mr. Milind Barve	Managing Director	6.54%
Mr. Piyush Surana	Chief Financial Officer	10.24%
Ms. Sylvia Furtado	Company Secretary	12.76%

##### Non-Executive Directors

There was no commission paid to any non-executive director in FY 2018-19. There was no change in the sitting fees paid to the non-executive directors for attending meetings of board/committees.

Further details are provided in Form MGT- 9 (Extract of Annual Return).

##### Percentage increase in the median remuneration of employees in FY 2018-19

The percentage increase in the median remuneration of employees in FY 2018-19 was 10.09%.

**Number of permanent employees on the rolls of the Company**

The Company had 1150 permanent employees as of March 31, 2019.

**Average percentile increase already made in salaries of employees other than managerial personnel in last financial year and its comparison with the percentile increase in managerial remuneration and justification thereof and point out if there are exceptional circumstances for increase in the managerial remuneration**

The average increase in the salaries of all employees was 10.09% in FY 2018-19. The average increase in remuneration of managerial personnel was 6.54% and non-managerial personnel was 10.96%.

The average increase in the remuneration of both, the managerial and non-managerial personnel was determined based on the overall performance of the Company. Further, the criteria for remuneration of non-managerial personnel is based on the appraisal process, while the remuneration of the managerial personnel is based as per the Nomination & Remuneration Policy. The Company reiterates that there were no exceptional circumstances which warranted an increase in managerial remuneration which was not justified by the overall performance of the Company.

**Affirmation that the remuneration is as per the remuneration policy of the Company**

Yes

# Corporate Governance Report

The Company being a SEBI registered intermediary has been following corporate governance practices right from its inception as enshrined in the mutual fund regulations. Besides, the Company has also inherited the legacy of the fair, transparent and ethical governance practices from its holding company, Housing Development Finance Corporation Limited (HDFC Ltd.). Post listing i.e. August 06, 2018, the governance practices have been further enhanced to align them with the requirements under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

This report states compliance with the requirements under Companies Act, 2013 (the Act) and Listing Regulations as applicable to the Company.

## Company's philosophy on the Code of Governance

The corporate governance is a set of standards, a road map, which guides the directors, the Board of Directors of the Company in a manner beneficial to all stakeholders and the Regulators. The Company has an active, well-informed and independent board which ensures that the highest standards of corporate governance are followed by the Company.

The Company believes that good corporate governance is essential for achieving long-term corporate goals and enhancing stakeholder value. The Board of Directors and Management of the Company aim through their corporate governance practices to improve the Company's image, efficiency and effectiveness among its stakeholders.

In addition to compliance with regulatory requirements, the Board of directors and Management of the Company have committed themselves to align the Company's existing governance practices with the emerging corporate governance trends.

## Board of Directors

### Composition

As of March 31, 2019, the Board comprises of thirteen members. There are twelve Non-Executive Directors including the Chairman of the Company and one Executive Director i.e. Managing Director. Of the twelve Non-Executive Directors, seven are Independent Directors. The composition of the board is in conformity with the Listing Regulations and the Companies Act, 2013. The Independent Directors have confirmed that they satisfy the criteria prescribed for an independent director as stipulated in the Listing Regulations and Section 149(6) of the Companies Act, 2013 and are independent of the management. None of the Directors of the Company are related to each other. All the Directors of the Company have confirmed that they satisfy the fit and proper criteria as prescribed under the applicable regulations.

The Board has the appropriate balance and breadth of backgrounds, business experience, skills and expertise in areas vital to the Company's success given its present markets served and stage of development. Brief profiles of the Directors are set out in the Annual Report.

The number of shares held by the Non-Executive Directors is disclosed in Extract of the form MGT - 9 forming part of this Annual Report.

All the Directors have periodically and regularly informed the Company about their Directorship and Membership on the Board/Committees of the Board of other companies. As per the disclosures received, none of the Directors of the Company hold memberships/Chairmanships more than the prescribed limits across all companies in which he/she is a Director.

Details of the Board of Directors in terms of their directorships/memberships in committees of other public companies areas under:

Sr. No.	Name of Director	Category	As on March 31, 2019				
			Number of Directorships*	Number of committees**		Other Listed Entities	
				Member	Chairman	Name of the Company	Nature of Directorship
1	Mr. Deepak S. Parekh	Non-Executive, Non-Independent Director	8	5	2	1. Siemens Limited 2. HDFC Life Insurance Company Limited 3. Network18 Media & Investments Limited 4. HDFC Ltd. 5. The Indian Hotels Company Limited 6. GlaxoSmithKline Pharmaceuticals Limited	Independent Director (Chairman) Non-Executive Director (Chairman) Independent Director Non-Executive Director (Chairman) Independent Director Non-Executive Director (Chairman)
2	Dr. Deepak Phatak	Non-Executive, Independent Director	3	-	-	1. Persistent Systems Limited	Independent Director
3	Mr. James Aird	Non-Executive, Non-Independent Director	1	-	-	1. HDFC Life Insurance Company Limited	Alternate Director
4	Mr. Keki Mistry	Non-Executive, Non-Independent Director	8	6	3	1. Tata Consultancy Services Limited 2. Torrent Power Limited 3. HDFC Life Insurance Company Limited 4. HDFC Bank Limited 5. GRUH Finance Limited 6. HDFC Ltd.	Independent Director Independent Director Non-Executive Director Non-Executive Director Non-Executive Director (Chairman) Executive Director (Vice Chairman & CEO)
5	Mr. Norman Keith Skeoch	Non-Executive, Non-Independent Director	1	-	-	1. HDFC Life Insurance Company Limited	Non-Executive Director
6	Ms. Renu Karnad	Non-Executive, Non-Independent Director	6	5	1	1. ABB India limited 2. Maruti Suzuki India Limited 3. HDFC Life Insurance Company Limited 4. HDFC Ltd.	Independent Director Independent Director Non-Executive Director Executive Director (Managing Director)
7	Mr. Hoshang Billimoria	Non-Executive, Independent Director	-	-	-	-	-
8	Mr. Vijay Merchant	Non-Executive, Independent Director	-	-	-	-	-
9	<sup>1</sup> Mr. Dhruv Kaji	Non-Executive, Independent Director	5	7	2	1. Welspun Corp Limited 2. Welspun Enterprises Limited 3. Network18 Media & Investments Limited 4. Ceinsys Tech Limited 5. TV 18 Broadcast Limited	Independent Director Independent Director Independent Director Independent Director Independent Director
10	<sup>1</sup> Mr. Jairaj Purandare	Non-Executive, Independent Director	2	2	2	1. RBL Bank Limited 2. S H Kelkar and Company Limited	Independent Director Independent Director

As on March 31, 2019							
Sr. No.	Name of Director	Category	Number of Directorships*	Number of committees**		Other Listed Entities	
				Member	Chairman	Name of the Company	Nature of Directorship
11	<sup>1</sup> Mr. Sanjay Bhandarkar	Non-Executive, Independent Director	6	7	3	1. S Chand and Company Limited 2. The Tata Power Company Limited	Independent Director Independent Director
12	<sup>2</sup> Mr. Parag Shah	Non-Executive, Independent Director	6	1	-	1. Mahindra Logistics Limited	Non-Executive Director
13	<sup>3</sup> Mr. P. M. Thampi	Non-Executive, Independent Director	NA	NA	NA	NA	NA
14	<sup>3</sup> Mr. Rajeshwar Bajaj	Non-Executive, Independent Director	NA	NA	NA	NA	NA
15	<sup>3</sup> Mr. Humayun Dhanrajgir	Non-Executive, Independent Director	NA	NA	NA	NA	NA
16	<sup>4</sup> Ms. Roshni Nadar Malhotra	Non-Executive, Independent Director	NA	NA	NA	NA	NA
17	Mr. Milind Barve - Managing Director	Executive Director	0	-	-	-	-

<sup>1</sup>Appointed as Independent (Additional) Directors of the Company w.e.f. October 31, 2018.

<sup>2</sup>Appointed as an Independent (Additional) Director of the Company w.e.f. January 22, 2019.

<sup>3</sup>Resigned as Independent Directors of the Company w.e.f. October 31, 2018.

<sup>4</sup>Appointed as an Independent (Additional) Director of the Company w.e.f. April 27, 2019.

\*Excludes Private Limited Companies, Foreign Companies and Section 8 Companies.

\*\*Only includes Audit Committee and Stakeholders Relationship Committee in all public limited companies.

### Skills/ Expertise/ Competence of the Board of Directors

The Board identified, *inter alia*, the following core skills/expertise/competencies to ensure the Board's effective composition to discharge its responsibilities and duties required to govern the Company and also be compliant with the applicable regulations:

Desired/Needed Skills, Experience, Attributes	DP	NKS	KM	JA	DPk	HB	VM	RK	MB	SB	DK	JP	PS	RN
International Expertise/Strategic Planning	✓	✓		✓					✓		✓	✓	✓	✓
Technology/Digital Media Expertise					✓					✓				✓
Risk Management Expertise	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓				
Financial Expertise	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Marketing Expertise	✓			✓			✓		✓					✓
Legal Expertise								✓	✓					
Operational Expertise	✓	✓	✓	✓					✓		✓	✓		
Industry Expertise	✓	✓	✓	✓				✓	✓			✓	✓	
Regulatory Expertise	✓	✓	✓						✓	✓		✓		
Mergers and Acquisitions	✓		✓						✓		✓			✓

#### Please Note:

DP = Mr. Deepak Parekh; NKS = Mr. N. Keith Skeoch; KM = Mr. Keki Mistry; JA = Mr. James Aird; DPk = Dr. Deepak Pathak; HB = Mr. Hoshang S. Billimoria; VM = Mr. Vijay Merchant; RK = Ms. Renu Karnad; MB = Mr. Milind Barve; SB = Mr. Sanjay Bhandarkar; DK = Mr. Dhruv Kaji; JP = Mr. Jairaj Purandare; PS = Mr. Parag Shah; RN = Ms. Roshni Nadar Malhotra

## Responsibilities

As a whole, the Board of Directors of the Company bears a legal responsibility to govern the Company and their primary responsibility is one of stewardship and trusteeship on behalf of the stakeholders. The Board as part of its role determines the Company's vision and sets the pace for its current operations and future development. The Company's framework is designed to enable the Board to provide strategic guidelines for the Company and effective oversight of management of the Company. The Board delegates the decision making to various Committees of the Board which focuses their attention on crucial issues before placing the same before the board for its consideration.

The responsibilities of the Board also includes ensuring that the Company has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate and social responsibility. Additionally, the Board also ensures that the corporate governance practices adopted by the Company provides empowerment to the executive management of the Company, which simultaneously create a mechanism of checks and balances, ensuring that the decision making powers vested in the executive management are not only not misused, but are used with responsibility to meet Company's vision, stakeholder aspirations and societal expectations.

The Board periodically reviews codes and policies approved by it to ensure that the same are in conformity with the applicable regulations.

## Appointment of Independent Directors

On November 30, 2017, Securities and Exchange Board of India (SEBI) issued a circular in relation to enhancing fund governance for mutual funds, which was subsequently modified pursuant to a circular issued by SEBI on February 07, 2018. The said circulars prescribe the tenure of independent directors of Asset Management Companies which is maximum of ten years (including all preceding years for which such individual has held office). SEBI has prescribed timelines of 2 years (in phased manner) from the date of issue of circular to comply with this requirement. The Company being an Asset Management Company, all the Independent Directors of the Company who were appointed effective July 21, 2014 can hold the position of Independent Director of the Company only up to November 29, 2019.

Accordingly to refresh the Board in phased manner in compliance with the aforesaid SEBI circular, to ensure a smooth transition on the Board and due to other preoccupations, Mr. P. M. Thampi, Mr. Humayun Dhanrajgir and Mr. Rajeshwar Bajaaj resigned from the Board with effect from close of business hours on October 31, 2018. They have

confirmed that their resignation, which was before the expiry of their term, was for no other material reason other than those provided.

Further, five new Independent (Additional) Directors were appointed by the Board based on the recommendation of the Nomination & Remuneration Committee.

Mr. Dhruv Kaji, Mr. Sanjay Bhandarkar and Mr. Jairaj Purandare were appointed as Independent Directors of the Company for a period of 5 years effective October 31, 2018. Mr. Parag Shah was appointed as an Independent Director of the Company for a period of 5 years effective January 22, 2019. Ms. Roshni Nadar Malhotra was appointed as an Independent Director of the Company for a period of 5 years effective April 27, 2019. They are not liable to retire by rotation.

Based on the recommendation of the Nomination & Remuneration Committee, the Board at its meeting held on April 26, 2019 approved re-appointment of Mr. Hoshang Billimoria, Independent Director whose current tenure will come to an end on July 20, 2019, for second term up to November 29, 2019. Mr. Deepak Phatak and Mr. Vijay Merchant, Independent Directors have been appointed for a term of 5 years up to July 20, 2019.

A sample letter detailing the terms and conditions of appointment of the independent directors has been placed on the Company's website, <https://www.hdfcfund.com/about-us/governance/codes-policies>.

All the Independent Directors have confirmed that they meet the criteria as mentioned under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 149 of the Companies Act, 2013 (Act). The maximum tenure of Independent Directors is in accordance with the Act and other applicable Regulations.

In the opinion of the Board, all the Independent Directors fulfill the conditions specified in Listing Regulations and are independent of the management.

## Meeting of Independent Directors

Schedule IV of the Companies Act, 2013 and the Listing Regulations mandate that the Independent Directors of the Company to hold at least one meeting in a financial year, without the attendance of Non-Independent Directors. At such meetings, the Independent Directors, *inter alia*, review the performance of (i) Non-Independent Directors and the Board as a whole, (ii) Chairman of the Company taking into account views of Executive/Non-Executive Directors and (iii) assessing the quality, quantity and timeliness of flow of information between the Company's management and the Board that is necessary for the Board to effectively and reasonably perform their duties.



The Independent Directors of the Company met on February 26, 2019 during this year.

### Familiarisation Programme

The Directors are updated periodically with overview of the Mutual Fund industry, performance of the Company, regulatory developments, overview and outlook of Indian economy, markets update and trends, risk management mechanism and such other information as may be required by them.

The Company conducts an orientation programme for the new Independent Directors to enable them to familiarise with the governance practises followed by the Company, mutual fund business, regulatory developments, compliance processes adopted by the Company, financials matters and management team.

An overview of the familiarisation programme during the year has been placed on the Company's website at <https://www.hdfcfund.com/about-us/governance/codes-policies>.

### Board meetings

The meetings of the Board of Directors are normally held at the Company's Registered Office in Mumbai. Meetings are generally scheduled well in advance and the notice of each board meeting is given in writing to each director. Members of the Board are free to convene a board meeting at any time and shall inform the Company Secretary regarding the same.

The Company Secretary in consultation with the Managing Director prepares a detailed agenda for the meetings and subsequently discussed with the Chairman. The Board is provided with the relevant information as stipulated under the SEBI Mutual Fund Regulations and related circulars, Listing Regulations and Companies Act, 2013 and rules thereto. The members of the Board have access to all information of the Company. The board papers, agenda and other explanatory notes are circulated to the directors well in advance. The members of the Board are free to recommend inclusion of any matter in the agenda for discussion. The Chairman ensures that the meeting is conducted in such way that the business for which it was convened is properly attended to, and that all those entitled to may express their views and that the decisions taken by the meeting adequately reflect the views of the meeting as a whole. He summarises the discussions to ensure that members are in agreement with the Board's view on the issues discussed.

At the Board meetings/Committee meetings, the Managing Director and senior management, who are invited to the Board/Committee meetings, make presentations on various matters including the financial results, operations related issues, risk management, the economic and regulatory changes.

During the financial year, seven (7) Board meetings were held i.e. on April 16, 2018, April 17, 2018, June 27, 2018, August 21, 2018, October 29, 2018, January 21, 2019 and February 26, 2019.

The details of attendance at the Board meetings held during the financial year and at the last AGM are as follows:

Name of Directors	Number of Board Meetings		Attendance at the 19th AGM (April 17, 2018)
	Held during tenure	Attended	
Mr. Deepak S. Parekh (Chairman)	7	7	Yes
Dr. Deepak Phatak	7	7	Yes
Mr. James Aird	7	6	Yes
Mr. Keki Mistry	7	7	Yes
Mr. Norman Keith Skeoch	7	2	No
Ms. Renu Karnad	7	7	Yes
Mr. Hoshang Billimoria	7	7	Yes
Mr. Vijay Merchant	7	7	Yes
<sup>1</sup> Mr. Dhruv Kaji	2	1	NA
<sup>1</sup> Mr. Jairaj Purandare	2	2	NA
<sup>1</sup> Mr. Sanjay Bhandarkar	2	2	NA
<sup>2</sup> Mr. Parag Shah	1	1	NA
<sup>3</sup> Ms. Roshni Nadar Malhotra	NA	NA	NA
<sup>4</sup> Mr. P. M. Thampi	5	4	Yes
<sup>4</sup> Mr. Rajeshwar Bajaaj	5	4	Yes
<sup>4</sup> Mr. Humayun Dhanrajgir	5	2	No
Mr. Milind Barve	7	7	Yes

<sup>1</sup>Appointed as Independent (Additional) Directors of the Company w.e.f. October 31, 2018.

<sup>2</sup>Appointed as an Independent (Additional) Director of the Company w.e.f. January 22, 2019.

<sup>3</sup>Appointed as an Independent (Additional) Director of the Company w.e.f. April 27, 2019.

<sup>4</sup>Resigned as Independent Directors of the Company w.e.f. October 31, 2018.

Video-conferencing facility is also provided at the Board/Committee meetings in case any director is unable to attend but wishes to participate in the meetings.

There have been no instances where the Board has not accepted any recommendation of any committee of the Board which is mandatorily required, during the financial year.

### Audit Committee

The composition, powers, roles and the terms of reference of the Committee are in terms of the requirement of Section 177 of the Act and Regulation 18 of the Listing Regulations. The Audit Committee comprises six Non-Executive Directors of which four are Independent Directors, who are well-versed with accounting, financial matters and corporate laws. The Chairman of the Audit Committee was present at the last Annual General Meeting of the Company.

During the year, six (6) Audit Committee meetings were held i.e. on April 16, 2018; June 27, 2018; August 21, 2018; October 29, 2018; December 13, 2018 and January 21, 2019. The composition of the Committee along with the attendance of the directors at the meetings is as follows:

Name of director	Number of Meetings	
	Held during tenure	Attended
Mr. Hoshang Billimoria (Chairman)	6	6
Mr. Keki Mistry	6	6
Mr. James Aird	6	6
Mr. Vijay Merchant	6	5
<sup>2</sup> Mr. Dhruv Kaji	2	2
<sup>2</sup> Mr. Jairaj Purandare	2	2
<sup>1</sup> Mr. P. M. Thampi	4	3
<sup>1</sup> Mr. Humayun Dhanrajgir	4	2

<sup>1</sup> Ceased to be members of the Committee w.e.f. October 31, 2018.

<sup>2</sup> Appointed as members of the Committee w.e.f. October 31, 2018.

The Company Secretary acts as the Secretary to the Audit Committee. The Committee invites the Managing Director, Chief Financial Officer, Head - Client Services, Head - Operations, Chief Compliance Officer, other executives of the Company as it considers appropriate, representatives of statutory auditor and representatives of internal auditor to attend the meetings of the Committee.

The terms of reference for the Audit Committee are as per the guidelines set out in the Listing Regulations read with Section 177 of the Companies Act, 2013. These broadly include:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommendation for appointment, remuneration and terms of appointment of auditors of the Company.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements and the auditors' report thereon, before submission to the Board for approval, with particular reference to:
  - matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013
  - changes, if any, in accounting policies and practices and reasons for the same
  - major accounting entries involving estimates based on the exercise of judgement by management
  - significant adjustments made in the financial statements arising out of audit findings
  - compliance with listing and other legal requirements relating to financial statements
  - disclosure of any related party transactions
  - modified opinion(s) in the draft audit report
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process.
- Approval or any subsequent modification of transactions of the Company with related parties.
- Scrutiny of inter-corporate loans and investments.
- Valuation of undertakings or assets of the Company, wherever it is necessary.
- Evaluation of internal financial controls and risk management systems.

12. Reviewing with management, performance of statutory and internal auditors, and adequacy of the internal control systems.
13. To formulate the scope, functioning, periodicity and methodology for conducting the internal audit in consultation with the Internal Auditor.
14. Discussion with internal auditors any significant findings and follow up there on.
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
17. Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
18. Reviewing the functioning of the Whistle Blower Mechanism.
19. Approval of appointment of Chief Financial Officer.
20. Reviewing the compliance with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015 at least once in a financial year and verify that the systems for internal control are adequate and are operating effectively.
21. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

### Nomination & Remuneration Committee

The composition, powers, roles and the terms of reference of the Committee are in terms of the requirement of Section 178 of the Act and Regulation 19 of the Listing Regulations.

During the year, three (3) Nomination & Remuneration Committee meetings were held on April 11, 2018, October 29, 2018 and January 21, 2019. The composition of the Committee along with the attendance of the directors as follows:

Name of director	Number of Meetings	
	Held during tenure	Attended
<sup>1</sup> Mr. Vijay Merchant (Chairman)	3	3
Mr. Hoshang Billimoria	3	3
<sup>2</sup> Mr. Dhruv Kaji	1	1
<sup>2</sup> Mr. Jairaj Purandare	1	1
<sup>3</sup> Mr. P. M. Thampi	2	2
<sup>3</sup> Mr. Humayun Dhanrajgir	2	1

<sup>1</sup>Appointed as Chairman of the Committee w.e.f. October 31, 2018.

<sup>2</sup>Appointed as members of the Committee w.e.f. October 31, 2018.

<sup>3</sup>Mr. Thampi ceased to be Chairman and Mr. Dhanrajgir ceased to be a member of the Committee w.e.f. October 31, 2018.

The Company Secretary acts as the Secretary to the Committee.

The broad terms of reference of the Nomination & Remuneration Committee include:

1. Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and carry out evaluation of every director's performance.
2. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
3. Formulate criteria for evaluation of performance of independent directors and the board of directors.
4. Devise a policy on diversity of board of directors.
5. Review and recommend compensation payable to the Managing Director /Whole Time Directors of the Company including any variation therein from time to time and administer the Company's stock option plans subject to the applicable law.
6. Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
7. To recommend to the board, all remuneration, in whatever form, payable to senior management.
8. Any other matters/ authorities/ responsibilities/ powers assigned as per Companies Act 2013, Rules made thereunder and Listing Regulations, as amended from time to time.

### Remuneration of Directors

#### Nomination & Remuneration Policy

The Nomination & Remuneration Policy, including the criteria for remunerating non-executive directors is recommended by the Nomination & Remuneration Committee and approved by the Board. The objective of the policy is 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. Further, the Policy was amended during the financial year in order to align with the provisions of Companies (Amendment) Act, 2017. The Nomination & Remuneration Policy of the Company has been uploaded and can be accessed on the Company's website at <https://www.hdfcfund.com/about-us/governance/codes-policies>.

### Non-Executive Directors

The remuneration paid to Non-Executive Directors consists of only sitting fees. Further, the expenses for participation in the Board and other meetings are reimbursed to the Directors. Stock Options may be granted to the Non-Independent Directors of the Company as approved by the Committee. No stock options are granted to Independent Directors.

Details of the remuneration and shareholding of Non-Executive Directors are provided in from MGT-9 forming part of this Annual Report.

There were no other pecuniary relationships or transactions of Non-Executive Director vis-à-vis the Company.

### Executive Director

The Managing Director is eligible for remuneration as approved by the Shareholders of the Company at their Extra-Ordinary General Meeting held on October 14, 2017 based on the recommendation of the Nomination & Remuneration Committee and approved by 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. is decided and approved by the Board on the recommendation of the Nomination & Remuneration Committee and is within the overall remuneration approved by the shareholders. Stock Options are granted to the Managing Director of the Company as approved by the Committee. The annual increments of the Managing Director is linked to his performance and is decided by the Nomination & Remuneration Committee. Service contracts and the notice period are as per the terms of agreement entered into by him with the Company.

Details of remuneration paid to the Managing Director during the year along with the shareholding are provided in form MGT – 9 forming part of this Annual Report.

### Evaluation of the Board and Directors

During the year, the Board carried out an annual evaluation of its performance as well as of its committees and individual Directors, including Chairman of the Board. The evaluation process of the Directors was carried taking into consideration the requirements specified in the SEBI circular dated November 30, 2017 on enhancing fund governance for mutual funds and the changes in the directorate i.e. 3 new Independent Directors were appointed with effect

from October 31, 2018; 3 Independent directors had resigned with effect from October 31, 2018 and 1 new Independent Director was appointed with effect from January 22, 2019. The Board, based on the recommendation of the Nomination & Remuneration Committee, laid down the criteria for evaluation. This exercise was carried out through a structured questionnaire prepared separately for the Board, Committees, Chairman and individual Directors. The questionnaire for Board evaluation was prepared taking into consideration various aspects such as Board's structure; Board's functioning; understanding of their roles and responsibilities; Board meetings and the reporting process; time devoted by the Board to the Company's long-term strategic issues; quality and transparency of Board discussions; quality, quantity and timeliness of the information flow between Board members and management; Board's effectiveness in disseminating information to shareholders and in representing shareholder interests; and discharge of fiduciary duties by 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. Performance of the committees was evaluated on the basis of their effectiveness in carrying out their respective mandates. The Chairman's performance evaluation was carried out by Independent Directors at a separate meeting.

The Independent Directors were satisfied with the outcome of the evaluation exercise. The Board made few observations pursuant to evaluation process namely, that the Board has benefitted under the able leadership of Mr. Deepak Parekh, Chairman and that he should continue to provide his expertise and guidance to the Board; that the Board has presently a right mix of age, experience, expertise; that an Independent woman director would be appointed in line with the Kotak Committee recommendation. Additionally, based on current years observations, succession planning for directors and KMP would be implemented. The Board was also 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.

During the year, the Company took adequate steps to work on the observations that arose from the Board evaluation process conducted in 2018. The Company had laid down the basis for refreshing the Board in a phased manner. New Board members were inducted after assessing their candidature and skill set they bring to the Company. Adequate steps were initiated to appoint an independent woman director

and after evaluating various candidates, the Board appointed Ms. Roshni Nadar Malhotra as an Independent Director at its meeting held on April 26, 2019.

### Stakeholders Relationship Committee

The composition, powers, roles and the terms of reference of the Committee are in terms of the requirement of Section 178 of the Act and Regulation 20 of the Listing Regulations.

During the year, four (4) Stakeholders Relationship Committee meetings were held on April 16, 2018; August 21, 2018; October 29, 2018 and January 21, 2019. The composition of the Committee along with attendance of the directors is as follows:

Name of director	Number of Meetings	
	Held during tenure	Attended
Ms Renu Karnad (Chairperson)	4	4
Mr. Deepak Parekh	4	4
Mr. James Aird	4	4
Dr. Deepak Phatak	4	4
Mr. Vijay Merchant	4	4
<sup>1</sup> Mr. Jairaj Purandare	1	1
<sup>1</sup> Mr. Dhruv Kaji	1	1
<sup>1</sup> Mr. Sanjay Bhandarkar	1	1
<sup>2</sup> Mr. P. M. Thampi	3	3
<sup>2</sup> Mr. Humayun Dhanrajgir	3	2
<sup>2</sup> Mr. Rajeshwar Bajaj	3	3

<sup>1</sup>Appointed as members of the Committee w.e.f. October 31, 2018.

<sup>2</sup>Ceased to be members of the Committee w.e.f. October 31, 2018.

The broad terms of reference of the Stakeholders Relationship Committee include:

1. To review the activities carried out by the investor service centres of the Company and their adherence to service standards.
2. To review the steps taken by the Company to redress the grievances of the investors and the cases, if any, pending before the Courts/ Forums/ Regulatory Authorities against the Company/Mutual Fund.
3. To consider and resolve the grievances of the security holders of the Company including complaints related to transfer of shares, non-receipt of annual report and non-receipt of declared dividends.
4. To review the measures taken for effective exercise of voting rights by shareholders.
5. To review adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent.

6. To review various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company.

### Compliance Officer

Ms. Sylvia Furtado, Company Secretary of the Company is the Compliance Officer for the purpose of Listing Regulations.

There was no investor complaint at the beginning of the financial year. During the year under review, the Company received 420 complaints from shareholders/SEBI/ Stock Exchanges/ MCA. The Complaints pending as on March 31, 2019 were 3; however as on date of this report these complaints have been resolved. The Complaints were redressed to the satisfaction of the shareholder. There were no transfer requests received by the Company during the year.

### Corporate Social Responsibility

The composition, powers, roles and the terms of reference of the Committee are in terms of the requirement of Section 135 of the Companies Act, 2013 and the Rules framed thereunder.

During the year, two (2) Corporate Social Responsibility (CSR) Committee meetings were held on April 11, 2018 and February 26, 2019. The composition of the Committee along with attendance of the directors is as follows:

Name of director	Number of Meetings	
	Held during tenure	Attended
Mr. Deepak Parekh (Chairman)	2	2
Mr. Vijay Merchant	2	2
Mr. Milind Barve	2	2

The broad terms of reference of the CSR Committee, *inter alia*, include formulation of Corporate Social Responsibility Policy, recommendation of the amount of expenditure to be incurred on the CSR activities and review and approval of projects/ programmes to be supported by the Company. Details of CSR activities form part of the Director's Report.

### Risk Management Committee

In accordance with the provisions of the Listing Regulations, the Company was not required to constitute a Risk Management Committee as the equity shares of the Company were listed effective August 06, 2018. However, the Company does have a Risk Management Committee, which looks into various areas of risk management and internal controls pertaining to Mutual Fund.

The minutes of all meetings of all the Committees of the Board of Directors were placed before the Board.

## General Body Meetings

The Company held its last three Annual General Meetings as under:

Nature of Meeting	Date	Time	Venue	Special Resolution passed
19th Annual General Meeting	April 17, 2018	9.00 a.m.	Registered Office of the Company at "HDFC House", 2nd floor, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai – 400 020	Two Special Resolutions were passed - (1) 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; and (2) approval for increase in borrowings limits.
18th Annual General Meeting	May 26, 2017	12.30 p.m.		None
17th Annual General Meeting	May 27, 2016	2.00 p.m.		None

During the year under review, one Extra-ordinary General Meeting was held on April 18, 2018 at the registered office of the Company.

The Company will be providing a one-way live webcast of the proceedings of the ensuing AGM to be held on July 16, 2019. The link to access the webcast will be placed on the e-voting website of Karvy at <https://evoting.karvy.com/>

### Postal Ballot

During the year, no special resolution was passed through postal ballot. There is no special resolution proposed to be conducted through postal ballot.

### Means of Communication

**Quarterly/ Half-yearly/ Annual Results:** The Quarterly Results of the Company are published in Business Standard, (English) Newspaper circulating in substantially whole of India and Navshakti (Marathi) vernacular newspaper and are also available on the website of the Company [www.hdfcfund.com](http://www.hdfcfund.com)

**News Releases and Presentations:** Official News Releases are sent to the Stock Exchange before their release to media for wider dissemination. Presentation made to Investors/ Analysts, Media, Institutional Investors, etc. are available on the website of Stock Exchange where the shares of the Company are listed (BSE and NSE) as well as on the Company's website.

**Website:** The Company's website contains a separate Section "AMC Shareholder" where the latest shareholder's information is available. It contains comprehensive information which is of interest to shareholders including the financial results, Annual Reports, information disclosed to Stock Exchange, policies of the Company, etc.

**Annual Report:** Annual Report containing, *inter alia*, Notice of the Annual General Meeting, Audited Annual Accounts, Directors' Report, Auditors' Report and other important information is circulated to members and others entitled thereto. The Management Discussion and Analysis (MDA) Report forms part of the Annual Report. The Annual Report is also available on the Company's website.

**NSE Electronic Application Processing System (NEAPS), BSE Listing Centre:** National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) have developed web based applications NEAPS and the Listing Centre for Corporates. Periodical compliances like financial results, shareholding Pattern and corporate governance report etc. are filed electronically on NEAPS / BSE Listing centre.

**SEBI Complaints Redress System (SCORES):** The investors complaints are also being processed through the centralised web based complaint redressal system. The salient features of SCORES are availability of centralised data base of the complaints, uploading online action taken reports by the Company. Through SCORES the investors can view online, the action taken and current status of the complaints.

### Disclosures

#### Related Party Transactions

During the financial year 2018-19, the Company has not entered into any materially significant related party transactions that may have potential conflict with the interest of the Company at large. Transactions with related parties are disclosed in notes to financial statements.

The Company has formulated a Policy on Related Party Transaction for providing guidelines in relation to identification of related parties, materiality of Related Party Transaction(s) and on dealing with transactions with Related Party. The said Policy is available on the website at <https://www.hdfcfund.com/about-us/governance/codes-policies>.

#### Non-Compliance/penalties/strictures imposed

There was no non-compliance by the Company and no penalties or strictures were imposed on the Company by the stock exchange or SEBI, or any statutory authority on any matter related to the capital markets during the last three years. However, (i) On December 04, 2018, vide a settlement order issued by SEBI, the Company, without admitting or denying the violations, settled proceedings in connection with quasi – judicial proceedings initiated in respect of certain alleged violations under SEBI (Mutual Funds) Regulations,

1996 and circulars and/or guidelines issued, for an amount of ₹ 3,78,56,498/-; and (ii) SEBI vide its letter dated October 20, 2016 communicated that the adjudication proceedings with respect to SEBI Show Cause Notice No. EAD 2/KM/8485/2014 dated March 20, 2014 in relation to alleged front running of the trade orders of HDFC Mutual Fund by certain set of persons on the basis of information provided by Mr. Nilesh Kapadia, formerly a Dealer (Equities) at the Company were dropped. The Company had compensated the concerned investors in accordance with the directions issued by SEBI.

### Whistle Blower Policy/Vigil Mechanism

The Whistle Blower Policy has been formulated in accordance with Section 177 (9) of the Companies Act, 2013 read with Rule 7 of the Companies (Meetings of Board and its Powers), 2014 and Regulation 22 of the Listing Regulations.

This Policy has been formulated for Directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Business Conduct and Ethics Policy. The Company has adopted a third party web-based reporting tool which provides a secure and confidential platform to report genuine concerns and can be accessed by all Employees/ Directors/ Stakeholders for lodging a complaint or expressing genuine concerns.

During the year, no person was denied access to the audit committee for expressing his concerns or reporting grievances under the Whistle Blower Policy and/or vigil mechanism.

The said Policy is available on the website at <https://www.hdfcfund.com/about-us/governance/codes-policies>.

### Code for Prevention of Insider Trading

AMC Share Dealing Code ("Code") provides a framework which deals with the internal procedures and conduct in dealing with the securities of the Company. Your Company is required to adhere to the SEBI (Prohibition of Insider Trading) Regulations, 2015 pursuant to the listing of shares of the Company. The Code was revised and adopted effective April 1, 2019 in line with SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2018 and 2019.

### Compliance with Mandatory and adoption of Non-Mandatory Requirements

The Company has complied with all the mandatory corporate governance requirements under the Listing Regulations. Specifically your Company confirms compliance with Corporate Governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 of the Listing Regulations.

M/s. Bhandari & Associates, Practicing Company Secretaries, have certified that the Company has complied with the

mandatory requirements as stipulated under the Listing Regulations. The certificate forms part of this Report.

The Company has obtained a certificate from M/s. Bhandari & Associates, Practicing Company Secretaries, confirming that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India and Ministry of Corporate Affairs or any such authority and the same forms part of this Report.

The Company has fulfilled the following non-mandatory requirements as prescribed in Part E of Schedule II Regulation 27(1) of Listing Regulations.

- **Separate Posts**  
The Company has separate persons to the post of Chairperson and Managing Director.
- **Modified opinion(s) in audit report**  
The Company's financial statements have unmodified audit opinions.
- **Reporting of Internal Auditor**  
The internal auditor reports directly to the Audit Committee.

### Material Subsidiary

In accordance with Regulation 16(1)(c) of the Listing Regulations, the Company has formulated Policy for Determining Material Subsidiary which is available on its website at <https://www.hdfcfund.com/about-us/governance/codes-policies>.

The Company does not have any subsidiary as on date.

### Commodity price risk or foreign exchange risk and hedging activities

As such, the Company is not exposed to any commodity price risk, and hence the disclosure under Clause 9(n) of Part C of Schedule V in terms of the format prescribed vide SEBI circular dated November 15, 2018, is not applicable. The detailed discussion of the foreign exchange risk and Company's hedging activities is given in the Management Discussion & Analysis Report and the Notes to the Financial Statements.

### Details of utilisation of funds raised through Preferential Allotment/QIP

The Details of utilisation of funds raised through Preferential Allotment/QIP has been disclosed in the Directors' Report.

### Fees paid to statutory auditor

Details of fees paid to the statutory auditor and all entities in the network firm/network entity of which the statutory

auditor is a part, for all services taken by the Company during the financial year are as under:

(₹ in crore)	
Name of Entity - B S R & Co LLP	Amount (₹)
Audit Fees	0.18
Tax audit fee	0.02
Taxation Matters	0.26
Reimbursement of Expenses	0.01
Other Services	0.23
<b>Subtotal</b>	<b>0.70</b>
Other Payments (see note 2)	1.31
<b>Total</b>	<b>2.01</b>

Notes:

- 1) The above amounts include amounts accrued as payable at the year end.
- 2) Other payments were on account of assignments handled during the Initial Public Offering process of the Company and the same were not borne by the Company.
- 3) The above details have been compiled based on the list of entities provided by the statutory auditors.

### Sexual Harassment at Workplace

The Company has zero tolerance for sexual harassment at workplace. The Company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment Act, 2013.

During the year, the Internal Committee did not receive any complaints pertaining to Sexual Harassment.

### Code of Conduct:

The Company has adopted a Code of Conduct for all employees including the members of the Board and Senior Management Personnel. All members of the Board and Senior Management Personnel have affirmed compliance with the said Code of Conduct for the financial year 2018-19. The declaration to this effect signed by Mr. Milind Barve forms part of this Report.

### MD/CFO Certification

Necessary certification has been issued by Mr. Milind Barve, Managing Director and Mr. Piyush Surana, CFO to the Board in terms of Schedule II Part B of the Listing Regulations. A copy of this certificate forms part of this Report.

### Demat suspense account/unclaimed suspense account

The details in respect of equity shares lying in "HDFC Asset Management Company Limited - Unclaimed Suspense Account" were as follows:

Particulars	No. of shareholders	No. of Shares
Aggregate number of shareholders and the outstanding shares in the suspense account lying at April 01, 2018	NA	NA
Number of shareholders who approached listed entity for transfer of shares from suspense account during August 02, 2018* to March 31, 2019	13	205
Number of shareholders to whom shares were transferred from suspense account during August 02, 2018* to March 31, 2019	13	205
Aggregate number of shareholders and the outstanding shares in the suspense account lying at March 31, 2019	0	0

\*Disclosure is made from the date of allotment of shares pursuant to IPO i.e. August 02, 2018

Wherever shareholders have claimed the share(s), after proper verifications, the shares were credited to the respective beneficiary account.



## General Shareholder Information

### 20th Annual General Meeting

Day/Date	: Tuesday, July 16, 2019
Time	: 03:00 p.m.
Venue	: Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai – 400 020.
Financial year	: April 01 to March 31
Book Closure dates	: July 06, to July 16, 2019 (both days inclusive)

### Dividend

#### Dividend Distribution Policy:

The Company ensures that an appropriate balance is maintained between adequately rewarding the shareholders and ensuring that adequate financial resources are available to fuel the growth aspirations of the Company. Company's Dividend Distribution Policy specifies the financial parameters that will be considered when declaring dividends, internal and external factors for declaring dividends and the circumstances under which shareholders can or cannot expect a dividend. The Policy is available on the website of the Company at <https://www.hdfcfund.com/about-us/governance/codes-policies>

#### Dividend Payment date:

Interim dividend : March 12, 2019

Pursuant to the approval of the Board of Directors at its meeting held on February 26, 2019, the Company paid an interim dividend of ₹ 12/- [Rupees Twelve only] per equity share of ₹5/- each for the financial year 2018-19.

Final dividend : July 17, 2019 onwards

The Board of Directors at its meeting held on April 26, 2019 has recommended final dividend of ₹ 12/- [Rupees Twelve only] per equity share of ₹5/- each for the financial year 2018-19.

#### Unclaimed Dividend

There were no unclaimed dividends pertaining to previous financial years. As mentioned above, interim dividend of ₹ 12/- [Rupees Twelve only] per equity share of ₹5/- each declared for the financial year 2018-19 was paid on March 12, 2019.

#### E-voting period

Starts: Friday, July 12, 2019 at 10.00 a.m.

Ends: Monday, July 15, 2019 at 5.00 p.m.

Cut-off date for e-voting: Tuesday, July 09, 2019. Shareholders holding shares as on the cut-off date shall be eligible to vote either through remote e-voting or at the venue of the AGM.

#### Listing Details

Name of Stock Exchange	Stock Code
BSE Limited (BSE) P. J. Towers, Dalal Street, Fort, Mumbai - 400 001	541729
National Stock Exchange of India Limited (NSE) Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051	HDFCAMC

#### ISIN for Depositories – INE127D01025

The Company has paid listing fees at both the exchanges and has complied with the listing requirements.

### Share Price data

The monthly high and low prices and volume of the shares traded on BSE and NSE for the financial year ended March 31, 2019 are as under:

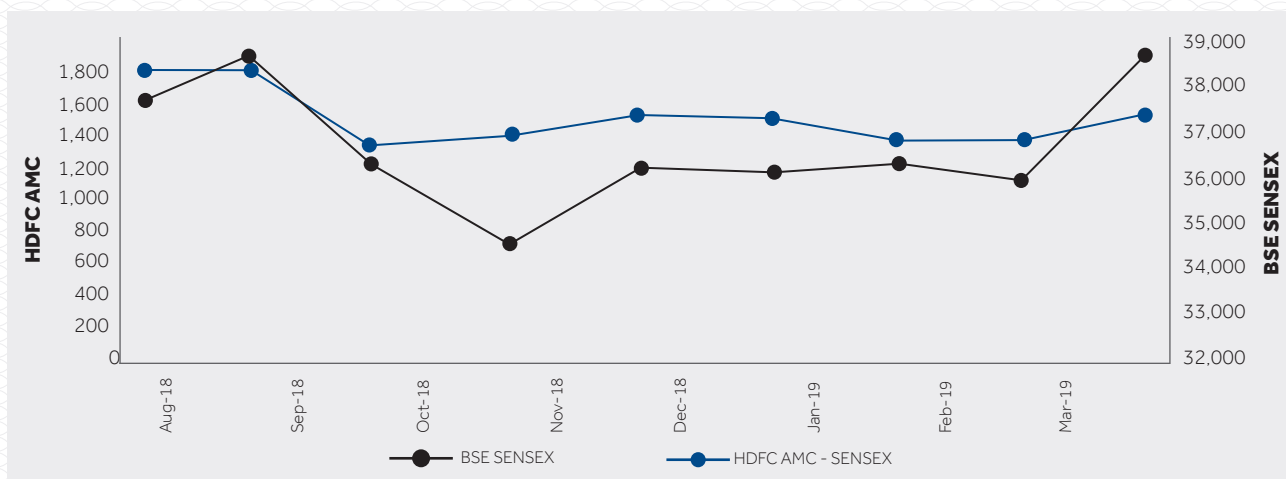
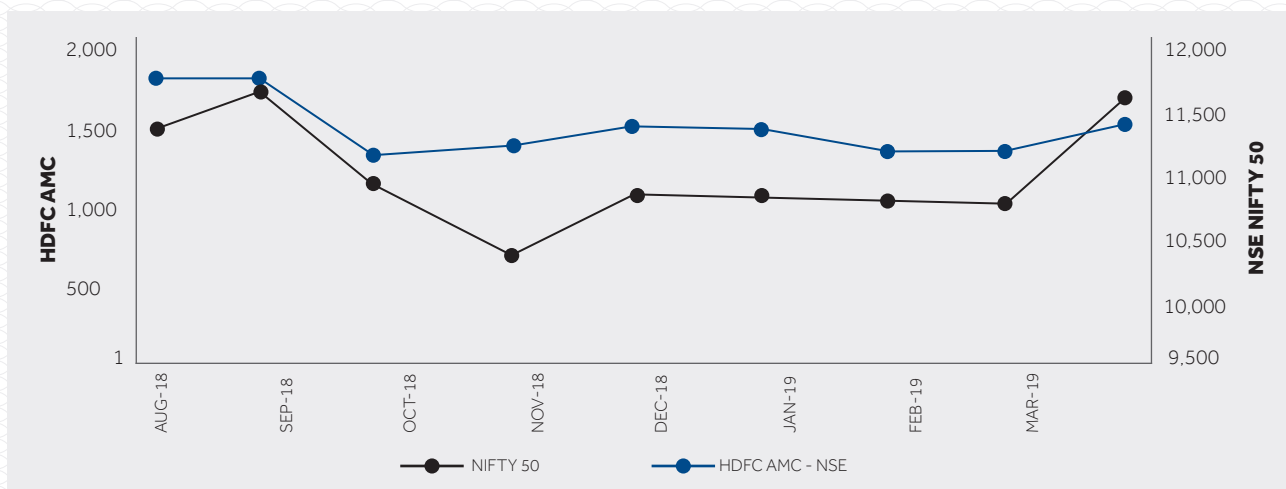
Months	BSE			NSE		
	High (₹)	Low (₹)	No. of Shares Traded	High (₹)	Low (₹)	No. of Shares Traded
August 2018	1,969.50	1,700.60	58,00,662	1,970.00	1,704.50	3,87,19,245
September 2018	1,820.00	1,248.30	25,07,778	1,810.00	1,250.00	1,88,07,929
October 2018	1,411.90	1,250.80	8,88,600	1,413.80	1,250.00	62,97,301
November 2018	1,534.90	1,388.65	3,71,030	1,537.95	1,385.10	37,57,828
December 2018	1,599.00	1,456.00	3,70,210	1,600.00	1,455.90	34,53,802
January 2019	1,543.00	1,353.85	1,65,526	1,530.00	1,353.60	17,37,100
February 2019	1,376.90	1,302.00	3,54,855	1,378.45	1,305.10	15,30,284
March 2019	1,538.00	1,362.05	3,45,334	1,542.60	1,370.00	23,96,326

Source: BSE and NSE Website

Note - The equity shares of the Company were listed on August 06, 2018.

### Stock Performance in comparison to broad-based indices

The Chart below shows the comparison of the Company's share price movement on BSE vis-à-vis the movement of the BSE Sensex and NSE Nifty for the financial year ended March 31, 2019 (based on month end closing):



Source: BSE and NSE Website

The Equity Shares of the Company were not suspended from trading as on March 31, 2019

**Registrar and Share Transfer Agent (RTA):** Karvy Fintech Private Limited  
 Unit: HDFC Asset Management Company Limited  
 Karvy Selenium Tower B,  
 Plot No. 31 & 32, Gachibowli, Financial District,  
 Nanakramguda, Serilingampally,  
 Hyderabad – 500 032  
 Tel.: 040 67162222  
 Toll- free No.18003454001  
 E-mail: einward.ris@karvy.com  
 Website: www.karvy.com

For any assistance regarding dematerialisation of shares, share transfers, transmissions, change of address, non-receipt of dividend or any other query relating to shares, please write to our RTA at aforesaid address.

The e-mail ID, [shareholders.relations@hdfcfund.com](mailto:shareholders.relations@hdfcfund.com), has been created for redressal of investor complaints and the same is disclosed on the Company's website.

### Share Transfer System

Company's share transfer and related operations is operated through its Registrar and Share Transfer Agents (RTA) - Karvy Fintech Private Limited (formally known as Karvy Computershare Private Limited).

Shareholders/investors are requested to send share certificate(s) along with share transfer deed in the prescribed Form SH-4, duly filled in, executed and stamped, to the Company's RTA. All valid transfers are processed and registered within stipulated time, subject to documents being valid and complete in all respects. Shares held in dematerialised form are electronically traded through the Depositories. The Registrar & Share Transfer Agent of the Company periodically receive updated beneficiary holdings from the Depositories so as to enable them to update their records and send corporate communications, dividend warrants and other documents to beneficiaries.

As per SEBI norms, with effect from April 01, 2019 (or such other date as may be notified), only transmission or transposition requests for transfer of securities shall be processed in physical form. All other transfers shall be processed in dematerialised form only. The Company has sent reminders to shareholders holding shares in physical form to dematerialise their shares promptly to avoid inconvenience.

### Category-wise Shareholding pattern as on March 31, 2019

Category of Shareholders	Number of Shares	% of Total Shares
Promoter	17,58,30,445	82.72
Individuals (includes HUFs & trusts)	1,92,62,026	9.06
FII/ QFIs/ FPIs	88,62,255	4.17
Mutual funds	19,45,093	0.92
Financial institutions/banks	3,01,739	0.14
Bodies corporate	16,55,121	0.78
NRIs/foreign nationals	5,12,655	0.24
Directors & their Relatives	15,38,709	0.72
Clearing members	2,04,383	0.10
Alternative Investment Funds	24,60,784	1.16
<b>Total</b>	<b>21,25,73,210</b>	<b>100</b>

**Distribution of Shareholding as on March 31, 2019**

Sl no	Category (Shares)	No. of Holders	% To Holders	No. of Shares	% To Equity
1	1 - 5000	3,92,752	99.91	1,22,07,534	5.74
2	5001 - 10000	104	0.03	7,43,055	0.35
3	10001 - 20000	76	0.02	11,27,184	0.53
4	20001 - 30000	35	0.01	8,62,530	0.41
5	30001 - 40000	11	0.00	3,94,699	0.19
6	40001 - 50000	12	0.00	5,59,412	0.26
7	50001 - 100000	34	0.01	24,87,448	1.17
8	100001 and above	68	0.02	19,41,91,348	91.35
	<b>Total</b>	<b>3,93,092</b>	<b>100.00</b>	<b>21,25,73,210</b>	<b>100.00</b>

**Distribution of holdings – Demat and Physical as on March 31, 2019**

Particulars of Equity Holding	Equity Shares of ₹ 5/- each	
	Number	% of Total
Dematerialised form		
NSDL	20,77,67,004	97.74
CDSL	48,06,192	2.26
<b>Sub-total</b>	<b>21,25,73,196</b>	<b>100</b>
Physical form	14	0.00
<b>Total</b>	<b>21,25,73,210</b>	<b>100</b>

**Outstanding GDRs/ ADRs/ Warrants or any convertible instruments**

There are no outstanding GDRs/ ADRs/ Warrants or any convertible instruments as on March 31, 2019.

**Plant Locations –**

The Company is engaged in the business of financial services and as such has no plants. However it has 148 Investor Service Centres, 61 Business Centers and 1 Representative Office in Dubai.

**Address for Correspondence with the Company****HDFC Asset Management Company Limited**

CIN: L65991MH1999PLC123027

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

Tel.: 022 – 66316333 Fax: 022 – 66580203

Website: [www.hdfcfund.com](http://www.hdfcfund.com)

List of all credit ratings obtained by the entity along with any revisions thereto during the relevant financial year, for all debt instruments of such entity or any fixed deposit programme or any scheme or proposal of the listed entity involving mobilisation of funds, whether in India or abroad. – **Not Applicable**

## Declaration by the Chief Executive Officer (MD)

[Regulation 34(3) read with Schedule V (Part D) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

I, Milind Barve, Managing Director of HDFC Asset Management Company Limited hereby declare that all the members of the Board of Directors and Senior Management have affirmed compliance with the Code of Conduct of Board of Directors and Senior Management of the Company.

### Milind Barve

Managing Director  
Mumbai | April 26, 2019

## MD / CFO Certification

### The Board of Directors

HDFC Asset Management Company Limited

1. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2019 and that:
  - i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. To the best of our knowledge and belief, there are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps taken or propose to take to rectify these deficiencies.
4. We have indicated to the auditors and the Audit committee:
  - i. Significant changes in internal control over financial reporting during the year;
  - ii. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

### Piyush Surana

Chief Financial Officer  
Mumbai | April 26, 2019

### Milind Barve

Managing Director

**Practicing Company Secretaries' Certificate on Corporate Governance**

**Bhandari & Associates  
Company Secretaries**

901, Kamla Executive Park, Off Andheri-Kurla Road,  
J. B. Nagar, Andheri East. Mumbai- 400 059  
Tel.: +91 22 4221 5300 Fax: +91 22 4221 5303  
E-mail: mumbai@anilashok.com

To,

**The Members of HDFC Asset Management Company Limited**

We have examined the compliance of conditions of Corporate Governance by HDFC Asset Management Company Limited ("the Company") for the period August 06, 2018 to March 31, 2019, [Equity shares of the Company have got listed on stock exchange w.e.f. August 06, 2018] as stipulated in chapter IV of The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["Listing Regulations"].

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as specified in chapter IV of the Listing Regulations.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency 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 26, 2019

**Practicing Company Secretaries' Certificate pursuant to Regulation 34 and Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**

**Bhandari & Associates  
Company Secretaries**

901, Kamla Executive Park, Off Andheri-Kurla Road,  
J. B. Nagar, Andheri East. Mumbai- 400 059  
Tel.: +91 22 4221 5300 Fax: +91 22 4221 5303  
E-mail: mumbai@anilashok.com

To,

**The Members of HDFC Asset Management Company Limited**

**Sub: Certificate under Regulation 34 and Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**

According to the information and explanations given to us and based on the verification of the relevant records and documents related to the Directors of the HDFC Asset Management Company Limited ("the Company") as on March 31, 2019 with respect to the regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["Listing Regulations"], We certify that none of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors by the Securities and Exchange Board of India /Ministry of Corporate Affairs or any such statutory authority.

For **Bhandari & Associates**  
Company Secretaries

**S. N. Bhandari**

Partner

FCS No.: 761; C P No. : 366

Mumbai | April 26, 2019

# Independent Auditor's Report

To the Members of  
HDFC Asset Management Company Limited

## Report on the audit of the financial statements

### Opinion

We have audited the accompanying financial statements of HDFC Asset Management Company Limited (the 'Company'), which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

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 Companies Act, 2013 (the 'Act') in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 as amended ('Ind AS'), and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and its profit and other comprehensive income, the changes in equity and its cash flows for the year ended on that date.

### Basis for opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143 (10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the audit of the

financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (the 'ICAI') together with the ethical requirements that are relevant to our audit of these financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matter

The opening balance sheet as at April 01, 2017 (transition date) included in these financial statements, is based on the previously issued statutory financial statements of the Company prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by the predecessor auditor whose report for the year ended March 31, 2017 dated April 28, 2017 expressed an unmodified opinion on those financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to Ind AS, which have been audited by us.

Our opinion is not modified in respect of this matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters:



Key audit matter	How the matter was addressed in our audit
<p><b>Transition date accounting</b></p> <p>Refer to the accounting policies in the Financial Statements: Significant accounting policies – Basis of preparation and Note 39 to the financial statements: “Transition date choices and application”</p> <p><b>Adoption of new accounting framework (Ind AS)</b></p> <p>Effective April 01, 2018, the Company adopted the Ind AS notified by the Ministry of Corporate Affairs with the transition date of April 01, 2017.</p> <p>The following are the major impact areas for the Company upon transition:</p> <ul style="list-style-type: none"> <li>• Classification and measurement of financial assets</li> <li>• Accounting for employee stock options</li> <li>• Additional disclosures as per the requirements of the new financial reporting framework.</li> </ul> <p>Transition to the new financial reporting framework is an intricate process involving multiple decision points for management i.e. Ind AS 101, First Time Adoption prescribes choices and exemptions for first time application of Ind AS principles at the transition date.</p> <p>We identified the transition date accounting as a key audit matter because of the significant degree of management judgement in the first time application of Ind AS principles as at the transition date particularly in the areas noted above and the additional disclosures associated with transition to Ind AS.</p>	<p>Our key audit procedures included:</p> <p><b>Design / controls</b></p> <ul style="list-style-type: none"> <li>• Assessed the design, implementation and operating effectiveness of key internal controls over management’s evaluation of transition date choices and exemptions availed in line with the principles under Ind AS 101.</li> </ul> <p><b>Substantive tests</b></p> <ul style="list-style-type: none"> <li>• Evaluated management’s transition date choices and exemptions for compliance / acceptability under Ind AS 101;</li> <li>• Understood the methodology implemented by management to give impact on the transition;</li> <li>• Test checked the computations associated with the transition adjustments;</li> <li>• Assessed areas of significant estimates and management judgement in line with principles under Ind AS;</li> <li>• Compared the reasonableness of management assumptions in respect of recognition and measurement of financial instruments, employee stock options, etc.</li> </ul>
<p><b>Revenue Recognition: Investment Management Fee</b></p> <p>Refer to the accounting policies in the Financial Statements: Significant accounting policies - Note 3.5 Revenue Recognition and Note 20 to the financial statements: Asset Management Services</p> <p>Investment Management Fee is the most significant account balance in the Statement of Profit and Loss.</p> <p>Key aspects relating to timing and recognition of revenue in respect of management fee are set out below:</p> <ul style="list-style-type: none"> <li>• The calculation of investment management fees, is based on a percentage of the Assets Under Management (‘AUM’) of the funds managed by the Company, in accordance with guidelines prescribed under SEBI (Mutual Fund) Regulations, 1996 as amended from time to time</li> <li>• Investment Management fee is accrued based on a five step model as set out in Ind AS 115 “Revenue from Contract with Customers”</li> <li>• The contracts include a single performance obligation that is satisfied over time and the investment management fee earned is considered as variable consideration that is included in the transaction price to the extent that no significant revenue reversal is expected to occur.</li> </ul>	<p>Our audit procedures included:</p> <p><b>Design / controls</b></p> <ul style="list-style-type: none"> <li>• Understood and evaluated the design and implementation of key controls in place around recognition of investment management fee;</li> <li>• Test checked management review controls over recognition of investment management fee.</li> </ul> <p><b>Substantive tests</b></p> <ul style="list-style-type: none"> <li>• Evaluated the appropriateness of recognition of revenue in respect of investment management fee income based on the requirements of Ind AS 115;</li> <li>• Obtained AUM and investment management fee from the Company and then reconciled investment management fee to amounts included in financial statements;</li> <li>• Test checked that investment management fee rates were approved by authorised personnel;</li> <li>• Obtained and read the investment management fee certification reports, issued by the statutory auditors of mutual fund schemes, in accordance with generally accepted assurance standards for such work;</li> <li>• Test checked investment management fee invoices and reconciled with the accounting records;</li> <li>• Evaluated the adequacy of disclosures relating to the investment management fee earned by the Company.</li> </ul>

### Other information

The Company’s management and Board of Directors are responsible for the other information. The other information

comprises the information included in the Director’s report and management discussion & analysis report, but does not include the financial statements and our auditor’s report

thereon. The Director's report and management discussion & analysis report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

### **Management's responsibility for the financial statements**

The Company's management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit / loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS specified under Section 133 of the Act read with relevant rules issued thereunder. 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 judgements 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 and Board of Directors are 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.

Board of Directors is also responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibility for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### 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 Section 143 (11) 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.

(A) 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 (including Other Comprehensive Income), Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report are in agreement with the books of account;
- d) in our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act read with relevant rules issued thereunder;
- e) on the basis of the written representations received from the Directors as on March 31, 2019 and taken on record by the Board of Directors, none of the Directors are disqualified as on March 31, 2019 from being appointed as a Director in terms of Section 164 (2) of the Act and

f) with respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B".

(B) 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 as at March 31, 2019 on its financial position in the financial statements – refer note 31 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 November 08, 2016 to December 30, 2016 have not been made in these financial statements since they do not pertain to the financial year ended March 31, 2019.

(C) With respect to the matter to be included in the Auditor's Report under Section 197(16) of the Act:

In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its Directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any Director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197 (16) of the Act which are required to be commented upon by us.

For **BSR & Co. LLP**

Chartered Accountants

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

**Akeel Master**

Partner

Membership No. 046768

Mumbai

April 26, 2019

# Annexure A to the Independent Auditor's Report

March 31, 2019 (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 property, plant and equipment.
- (b) The Company has a regular programme of physical verification of its property, plant and equipment by which all the property, plant and equipment 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 property, plant and equipment 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 investment 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 explanations 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 thereunder. 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 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 March 31, 2019 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, 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 on account of dispute are as follows:

Name of the statute	Nature of dues	Amounts (In ₹)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	27,05,330	A.Y. 2008-09	High Court of Bombay
Income Tax Act, 1961	Income Tax	7,41,823	A.Y. 2010-11	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	11,68,753	A.Y. 2011-12	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	13,24,140	A.Y. 2012-13	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	1,51,69,451	A.Y. 2012-13	Commissioner of Income Tax Appeal
Income Tax Act, 1961	Income Tax	11,98,635	A.Y. 2013-14	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	1,70,87,204	A.Y. 2013-14	Commissioner of Income Tax Appeal
Income Tax Act, 1961	Income Tax	25,18,814	A.Y. 2014-15	Income Tax Appellate Tribunal
Service Tax	Service Tax	3,67,707	F.Y. 2006-07 F.Y. 2007-08 F.Y. 2008-09	Commissioner of Service Tax (Appeal –I)

- 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 holders. Thus, paragraph 3 (viii) of the Order is not applicable to the Company.
- ix. During the year ended March 31, 2019, the Company completed Initial Public Offer ('IPO') through an Offer for sale of equity shares held by Housing Development Finance Corporation Limited and Standard Life Investments Limited. Accordingly, the Company did not receive any proceeds from this IPO. The Company did not raise any money by way of further public offer.
- 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 based on our examination of the records, 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 explanations given to us and based on our examination of the records, the Company has entered into private placement of equity shares of the Company during the year and has complied with the requirements of Section 42 of the Act. According to the information and explanations given to us, the amounts raised through private placement of fully paid equity shares have been used for the purpose for which funds were raised.
- xv. According to the information and explanations 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 explanations 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 **BSR & Co. LLP**  
Chartered Accountants  
Firm's Registration No. 101248W/W-100022

Mumbai  
April 26, 2019

**Akeel Master**  
Partner  
Membership No. 046768

# Annexure B to the Independent Auditor's Report

March 31, 2019 (Referred to in our report of even date)

**Report on the Internal Financial Controls with reference to the financial statements under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')**

**(Referred to in paragraph (A.f.) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

## Opinion

We have audited the internal financial controls with reference to financial statements of HDFC Asset Management Company Limited (the 'Company') as of March 31, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at March 31, 2019, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the 'Guidance Note').

## Management's responsibility for internal financial controls

The Company's management and Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. 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 Act.

## Auditor's responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial

statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing prescribed under Section 143 (10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 with reference to financial statements were established and maintained and whether 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal financial control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

## Meaning of internal financial controls with reference to financial statements

The Company's internal financial controls with reference to financial statements 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 controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the

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

### **Inherent limitations of internal financial controls with reference to financial statements**

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper 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 with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

Mumbai  
April 26, 2019

**Akeel Master**  
Partner  
Membership No. 046768

# Balance Sheet

as at March 31, 2019

₹ (in Crore)

PARTICULARS	Note No.	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
<b>Assets</b>				
<b>I. Financial Assets</b>				
a) Cash and Cash Equivalents	4	0.90	1.95	1.16
b) Bank Balance other than (a) above	5	31.09	0.11	0.11
c) Receivables				
(i) Trade Receivables	6	82.66	90.27	85.09
(ii) Other Receivables	7	20.20	12.71	6.57
d) Investments	8	2,934.96	2,057.74	1,339.19
e) Other Financial Assets	9	27.98	22.37	11.10
<b>Sub-total - Financial Assets</b>		<b>3,097.79</b>	<b>2,185.15</b>	<b>1,443.22</b>
<b>II. Non-Financial Assets</b>				
a) Current Tax Assets (net)		35.16	32.13	32.90
b) Deferred Tax Assets (net)	10	-	-	1.47
c) Property, Plant and Equipment	11	25.63	21.88	19.63
d) Intangible Assets Under Development		3.17	5.96	-
e) Goodwill	11	6.04	6.04	6.04
f) Other Intangible Assets	11	8.03	3.01	2.52
g) Other Non-Financial Assets	12	47.93	217.97	188.34
<b>Sub-total - Non-Financial Assets</b>		<b>125.96</b>	<b>286.99</b>	<b>250.90</b>
<b>Total Assets</b>		<b>3,223.75</b>	<b>2,472.14</b>	<b>1,694.12</b>
<b>Liabilities and Equity</b>				
<b>I. Financial Liabilities</b>				
<b>A. Payables</b>				
Trade Payables				
(i) Total Outstanding Dues of Micro Enterprises and Small Enterprises	13	-	-	-
(ii) Total Outstanding Dues of Creditors Other than Micro Enterprises and Small Enterprises	13	47.36	111.58	96.06
<b>B. Other Financial Liabilities</b>	14	65.69	66.65	68.07
<b>Sub-total - Financial Liabilities</b>		<b>113.05</b>	<b>178.23</b>	<b>164.13</b>
<b>II. Non-Financial Liabilities</b>				
a) Current Tax Liabilities (net)		1.77	3.35	-
b) Provisions	15	1.01	0.89	0.90
c) Deferred Tax Liabilities (net)	16	2.84	4.22	-
d) Other Non-Financial Liabilities	17	34.36	31.54	11.62
<b>Sub-total - Non-Financial Liabilities</b>		<b>39.98</b>	<b>40.00</b>	<b>12.52</b>
<b>III. Equity</b>				
a) Equity Share Capital	18	106.29	105.28	25.17
b) Other Equity	19	2,964.43	2,148.63	1,492.30
<b>Sub-total - Equity</b>		<b>3,070.72</b>	<b>2,253.91</b>	<b>1,517.47</b>
<b>Total Liabilities and Equity</b>		<b>3,223.75</b>	<b>2,472.14</b>	<b>1,694.12</b>

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 and on behalf of the Board of Directors

**For B S R & Co. LLP**

Chartered Accountants

ICAI Firm Registration No. 101248W/W-100022

**Akeel Master**

Partner

Membership No. 046768

Mumbai, April 26, 2019

**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, 2019

₹ (in Crore except per equity share data)

PARTICULARS	Note No.	For the year ended March 31, 2019	For the year ended March 31, 2018
<b>Revenue from Operations</b>			
Asset Management Services	20	1,915.18	1,756.77
<b>Other Income</b>	21	181.60	113.00
<b>Total Income</b>		<b>2,096.78</b>	<b>1,869.77</b>
<b>Expenses</b>			
Fees and Commission Expenses		240.26	326.99
Impairment on Financial Instruments	22	40.00	-
Employee Benefits Expenses	23	206.27	186.10
Depreciation, Amortisation and Impairment	11	12.85	9.36
Other Expenses	24	222.70	289.09
<b>Total Expenses</b>		<b>722.08</b>	<b>811.54</b>
<b>Profit Before Tax</b>		<b>1,374.70</b>	<b>1,058.23</b>
<b>Tax Expense</b>			
Current Tax		445.47	341.25
Deferred Tax		(1.37)	5.69
<b>Profit After Tax</b>		<b>930.60</b>	<b>711.29</b>
<b>Other Comprehensive Income</b>			
(i) Items that will not be reclassified to profit or loss			
- Remeasurement gain / (loss) of the defined benefit plans		(0.62)	0.08
(ii) Income tax relating to items that will not be reclassified to profit or loss			
- Tax on Remeasurement of the defined benefit plans		0.22	(0.03)
<b>Total Other Comprehensive Income</b>		<b>(0.40)</b>	<b>0.05</b>
<b>Total Comprehensive Income</b>		<b>930.20</b>	<b>711.34</b>
<b>Earnings Per Equity Share (Face Value ₹ 5) (see note 29)</b>			
- Basic		43.87	34.52
- Diluted		43.78	34.47

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 and on behalf of the Board of Directors

**For B S R & Co. LLP**

Chartered Accountants

ICAI Firm Registration No. 101248W/W-100022

**Akeel Master**

Partner

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**Deepak S. Parekh**

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Chief Financial Officer

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Managing Director

(DIN: 00087839)

**Sylvia Furtado**

Company Secretary

(ACS: 17976)

Mumbai, April 26, 2019

# Statement of Changes in Equity

for the year ended March 31, 2019

## A. Equity Share Capital

PARTICULARS	₹ (in Crore)		
	Balance at the beginning of the year	Changes in equity share capital during the year	Balance at the end of the year
<b>Equity Shares of ₹ 5 each (March 31, 2018: ₹ 5 each; April 01, 2017: ₹ 10 each), fully paid up</b>			
As at April 01, 2017	25.17	-	<b>25.17</b>
As at March 31, 2018	25.17	80.11	<b>105.28</b>
As at March 31, 2019	105.28	1.01	<b>106.29</b>

## B. Other Equity

PARTICULARS	Reserves and Surplus							Total
	Share Application Money - Pending allotment	Capital Redemption Reserve	Securities Premium	General Reserve	Share Options Outstanding Account	Reserve for Social / Philanthropic Causes & Investor Centric Initiatives	Retained Earnings	
<b>Opening balance as at April 01, 2017</b>	-	52.41	0.14	102.81	0.38	2.60	1,333.96	<b>1,492.30</b>
Profit for the year	-	-	-	-	-	-	711.29	<b>711.29</b>
Other Comprehensive Income - Remeasurement gain / (loss) of the defined benefit plans (net of tax)	-	-	-	-	-	-	0.05	<b>0.05</b>
<b>Total Comprehensive Income for the year</b>	-	-	-	-	-	-	711.34	<b>711.34</b>
Interim Equity Dividend Paid	-	-	-	-	-	-	(336.89)	<b>(336.89)</b>
Tax Paid on Interim Equity Dividend	-	-	-	-	-	-	(68.58)	<b>(68.58)</b>
Transfer from Retained Earnings to General Reserve	-	-	-	72.16	-	-	(72.16)	-
Transfer from Share Options Outstanding Account to Securities Premium (towards options exercised)	-	-	0.43	-	(0.43)	-	-	-
Additions during the year	423.48	-	422.33	-	9.69	-	-	<b>855.50</b>
Utilised during the year	(423.48)	-	(78.96)	-	-	(2.60)	-	<b>(505.04)</b>
<b>Changes during the year</b>	-	-	343.80	72.16	9.26	(2.60)	233.71	<b>656.33</b>
<b>Closing balance as at March 31, 2018</b>	-	52.41	343.94	174.97	9.64	-	1,567.67	<b>2,148.63</b>
<b>Opening balance as at April 01, 2018</b>	-	52.41	343.94	174.97	9.64	-	1,567.67	<b>2,148.63</b>
Profit for the year	-	-	-	-	-	-	930.60	<b>930.60</b>
Other Comprehensive Income - Remeasurement gain / (loss) of the defined benefit plans (net of tax)	-	-	-	-	-	-	(0.40)	<b>(0.40)</b>
<b>Total Comprehensive Income for the year</b>	-	-	-	-	-	-	930.20	<b>930.20</b>
Interim Equity Dividend Paid	-	-	-	-	-	-	(255.09)	<b>(255.09)</b>
Tax Paid on Interim Equity Dividend	-	-	-	-	-	-	(52.43)	<b>(52.43)</b>
Transfer from Share Options Outstanding Account to Securities Premium (towards options exercised)	-	-	5.62	-	(5.62)	-	-	-
Transfer from Share Options Outstanding Account to Retained Earnings (towards options lapsed after vesting)	-	-	-	-	(0.02)	-	0.02	-
Additions during the year	188.88	-	187.74	-	5.25	-	-	<b>381.87</b>
Utilised during the year	(188.75)	-	-	-	-	-	-	<b>(188.75)</b>
<b>Changes during the year</b>	0.13	-	193.36	-	(0.39)	-	622.70	<b>815.80</b>
<b>Closing balance as at March 31, 2019</b>	0.13	52.41	537.30	174.97	9.25	-	2,190.37	<b>2,964.43</b>

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 26, 2019

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 Cash Flows

for the year ended March 31, 2019

₹ (in Crore)

PARTICULARS	For the year ended March 31, 2019	For the year ended March 31, 2018
<b>A. Cash Flow from Operating Activities</b>		
<b>Profit Before Tax*</b>	<b>1,374.70</b>	<b>1,058.23</b>
<b>Add / (Less) : Adjustments for</b>		
Depreciation, Amortisation and Impairment	12.85	9.36
Share Based Payments to Employees	5.25	9.69
(Profit) / Loss on Sale of Investments (net)	(1.09)	(7.19)
Fair Value (Gain) / Loss on Investments	(60.14)	(70.16)
Net (Gain) / Loss on foreign currency transactions and translations	(0.01)	0.00
(Profit) / Loss on Sale of Property, Plant and Equipment and Other Intangible Assets (net)	0.20	(0.07)
Impairment on Financial Instruments	40.00	-
Investment Income from Financial Instruments	(95.77)	(34.56)
Other Interest Income	(1.10)	(1.06)
<b>Operating Profit before working capital changes</b>	<b>1,274.89</b>	<b>964.24</b>
<b>Adjustments for:</b>		
(Increase) / Decrease in Trade Receivables	7.62	(5.18)
(Increase) / Decrease in Other Receivables	(7.49)	(6.14)
(Increase) / Decrease in Other Financial Assets	(36.66)	(1.03)
(Increase) / Decrease in Other Non-Financial Assets	168.51	(30.65)
Increase / (Decrease) in Trade Payable	(64.22)	15.52
Increase / (Decrease) in Other Financial Liabilities	(0.96)	(1.42)
Increase / (Decrease) in Provisions	0.12	(0.01)
Increase / (Decrease) in Other Non-Financial Liabilities	2.20	20.00
<b>Cash generated from / (used in) operations</b>	<b>1,344.01</b>	<b>955.33</b>
Income Tax Paid	(449.87)	(337.16)
<b>Net cash from / (used in) operating activities (A)</b>	<b>894.14</b>	<b>618.17</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Property, Plant and Equipment and Other Intangible Assets	(17.54)	(17.04)
Proceeds from Sale of Property, Plant and Equipment and Other Intangible Assets	0.04	0.07
Purchase of Investments	(3,439.55)	(4,202.56)
Proceeds from Sale of Investments	2,636.55	3,587.68
Dividend Received	6.83	3.15
Interest Received / (Paid)	37.12	(4.09)
<b>Net cash from / (used in) investing activities (B)</b>	<b>(776.55)</b>	<b>(632.79)</b>

# Statement of Cash Flows

for the year ended March 31, 2019

₹ (in Crore)

PARTICULARS	For the year ended March 31, 2019	For the year ended March 31, 2018
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Issuance of Share Capital	188.75	423.48
Share Application Money - Pending allotment	0.13	-
Utilisation of Social / philanthropic causes & investor centric initiatives	-	(2.60)
Interim Equity Dividend Paid	(255.09)	(336.89)
Tax Paid on Interim Equity Dividend	(52.43)	(68.58)
<b>Net cash from / (used in) financing activities (C)</b>	<b>(118.64)</b>	<b>15.41</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents (A + B + C)</b>	<b>(1.05)</b>	<b>0.79</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>1.95</b>	<b>1.16</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>0.90</b>	<b>1.95</b>
	<b>(1.05)</b>	<b>0.79</b>
<b>Cash and cash equivalents comprising of:</b>		
Balance with banks	0.90	1.95
Effect of exchange difference on balances with banks in foreign currency	(0.00)	(0.00)
<b>Total</b>	<b>0.90</b>	<b>1.95</b>
*Amount spent towards Corporate Social Responsibility expense as per Section 135(5) of the Companies Act, 2013 (see note 34)	16.98	14.39

**Note:** The above Statement of Cash Flows has been prepared under the 'Indirect Method' as set out in Ind AS 7, 'Statement of Cash Flows'.

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 and on behalf of the Board of Directors

**For B S R & Co. LLP**

Chartered Accountants

ICAI Firm Registration No. 101248W/W-100022

**Akeel Master**

Partner

Membership No. 046768

**Deepak S. Parekh**

Chairman

(DIN: 00009078)

**Piyush Surana**

Chief Financial Officer

**Milind Barve**

Managing Director

(DIN: 00087839)

**Sylvia Furtado**

Company Secretary

(ACS: 17976)

Mumbai, April 26, 2019

# Notes to financial statements

for the year ended March 31, 2019

## 1. Company overview

HDFC Asset Management Company Limited ('the Company') is a Public Limited Company domiciled in India and its registered office is situated at HDFC House, 2nd Floor, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai - 400 020. The Company has been incorporated under the Companies Act, 1956 on December 10, 1999 and was approved to act as the Asset Management Company for HDFC Mutual Fund by Securities and Exchange Board of India (SEBI) vide its letter dated July 03, 2000. HDFC Trustee Company Limited ('the Trustee') has appointed the Company to act as the investment manager of HDFC Mutual Fund.

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

As at March 31, 2019, Housing Development Finance Corporation Limited, the holding company owned 52.77% of the Company's equity share capital.

During the year, the Company has completed its Initial Public Offering (IPO) through an offer for sale of equity shares. The equity shares of the Company were listed on National Stock Exchange of India Limited and BSE Limited on August 06, 2018.

## 2. Basis of preparation and recent accounting developments

### 2.1 Basis of preparation:

#### a) Statement of compliance

These financial statements have been prepared in accordance with the Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Companies Act, 2013, (the 'Act') and other relevant provisions of the Act, as amended from time to time.

The Company's financial statements up to and for the year ended March 31, 2018 were prepared in accordance with Rule 7 of the Companies (Accounts) Rules, 2014, notified under Section 133 of the Act, other relevant provisions of the Act and other accounting principles generally accepted in India, to the extent applicable (Previous GAAP).

As these are the Company's first financial statements prepared in accordance with Ind AS, Ind AS 101, First-time Adoption of Indian Accounting Standards has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Company is provided in Note 39.

The financial statements were approved for issue by the Company's Board of Directors on April 26, 2019.

Details of the Company's accounting policies are included in Note 3.

#### b) Presentation of financial statements

The Company presents its balance sheet in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 38.

#### c) Functional and presentation currency

Indian Rupee (₹) is the Company's functional currency and the currency of the primary economic environment in which the Company operates. Accordingly, the management has determined that financial statements are presented in Indian Rupees (₹). All amounts have been rounded-off to the nearest Crore upto two decimal places, unless otherwise indicated.

#### d) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items:

Items	Measurement basis
Certain financial instruments (as explained in the accounting policies below)	Fair value
Net defined benefit (asset)/ liability	Fair value of plan assets less present value of defined benefit obligations
Equity settled share based payments	Fair value as on the grant date

#### e) Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions

# Notes to financial statements

for the year ended March 31, 2019

that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

## Assumptions and estimation uncertainties

Information about critical judgements, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended March 31, 2019 is included in the following notes:

- Note 11 – impairment test of non-financial assets: key assumptions underlying recoverable amounts including the recoverability of expenditure on intangible assets;
- Note 27 – recognition of deferred tax assets;
- Note 25 – measurement of defined benefit obligations: key actuarial assumptions;
- Note 37 – Financial instruments – Fair values, risk management and impairment of financial assets;
- Note 26 – Share based payments;
- Note 11– estimates of useful lives and residual value of Property, Plant and Equipment and Other Intangible Assets;
- Note 31 – recognition and measurement of provisions and contingencies; key assumptions about the likelihood and magnitude of an outflow of resources, if any.

### f) Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. Measurement of fair values includes determining appropriate valuation techniques.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received on sale of asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation models that employ significant unobservable inputs require a higher degree of judgement and estimation in the determination of fair value. Judgement and estimation are usually required for selection of the appropriate valuation methodology, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and selection of appropriate discount rates.

The management regularly reviews significant unobservable inputs and valuation adjustments.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 26 - Share based payment
- Note 37 - Financial instruments – Fair values and risk management

## 2.2 Recent Accounting Developments:

### Standards issued but not yet effective

Following are the new standards and amendments to existing standards (as notified by Ministry of Corporate Affairs (MCA) on March 30, 2019 as part of the Companies

# Notes to financial statements

for the year ended March 31, 2019

(Ind AS) Amendment Rules, 2019) which are effective for the annual period beginning from April 01, 2019. The Company intends to adopt these standards and amendments from the effective date.

## Ind AS 116 – Leases:

Ind AS 116 is applicable for financial reporting periods beginning on or after April 01, 2019 and replaces existing lease accounting guidance, namely Ind AS 17 Leases. Ind AS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (“ROU”) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The nature of expenses related to those leases will change as Ind AS 116 replaces the operating lease expense (i.e. rent) with depreciation charge for ROU assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Company plans to apply Ind AS 116 on April 01, 2019, using the modified retrospective approach. Therefore, the impact (if any) on adoption of the new standard will be recognised as an adjustment to the opening balance of retained earnings as at April 01, 2019, with no restatement of comparative information.

The Company is in the process of analysing the impact of new lease standard on its financial statements.

## Amendments to existing Ind AS:

The following amended standards are not expected to have a significant impact on the Company’s financial statements. This assessment is based on currently available information and is subject to changes arising from further reasonable and supportable information being made available to the Company when it adopts the respective amended standards.

### (i) Amendment to Ind AS 12 Income Taxes:

Income tax consequences of distribution of profits (i.e dividends), including payments on financial instruments classified as equity, should be recognised when a liability to pay dividend is recognised.

The income tax consequences should be recognised in the Statement of Profit and Loss, Other

Comprehensive Income or equity according to where the past transactions or events that generated distributable profits were originally recognised.

Appendix C has been added to Ind AS 12 which seeks to bring clarity to the accounting for uncertainties on income tax treatments that are yet to be accepted by tax authorities and to reflect it in the measurement of current and deferred taxes.

### (ii) Amendments to Ind AS 109 Financial Instruments:

A financial asset would be classified and measured at amortised cost or at Fair Value Through Other Comprehensive Income (FVOCI) if its contractual cash flows are solely in the nature of principal and interest on the principal amount outstanding (SPPI criterion).

An exception has been prescribed to the classification and measurement requirements with respect to the SPPI criterion for financial assets that:

- Have a prepayment feature which results in a negative compensation.
- Apart from the prepayment feature, other features of the financial asset would have contractual cash flows which would meet the SPPI criterion, and
- The fair value of the prepayment feature is insignificant when the entity initially recognises the financial asset. If this is impracticable to assess based on facts and circumstances that existed on initial recognition of the asset, then the exception would not be available.

Such financial assets could be measured at amortised cost or at FVOCI based on the business model within which they are held.

### (iii) Amendments to Ind AS 19 Employee Benefits:

When a defined benefit plan is amended, curtailed or settled, entities would be required to use updated actuarial assumptions to determine its current service cost and net interest for the remainder of the annual reporting period (post the plan amendment, curtailment or settlement).

The effect of the asset ceiling would not be considered while calculating the gain or loss on any

# Notes to financial statements

for the year ended March 31, 2019

settlement of the plan. Subsequently, it would be recognised in Other Comprehensive Income.

The amendments that are not yet effective, made to the following existing standards, does not have any impact on the Company's financial statements:

- Ind AS 23 Borrowing Costs
- Ind AS 28 Investments in Associate and Joint Ventures
- Ind AS 103 Business Combinations
- Ind AS 111 Joint Arrangements

## 3. Significant Accounting Policies

### 3.1 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, call deposits and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### 3.2 Financial instruments

#### (i) Recognition and initial measurement

All financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability which is not recognised at Fair Value Through Profit and Loss, is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

#### (ii) Classification and subsequent measurement

##### Financial assets

On initial recognition, a financial asset is classified and measured at

- Amortised Cost;
- Fair Value Through Other Comprehensive Income (FVOCI); or
- Fair Value Through Profit and Loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not recognised as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income (OCI) (designated as FVOCI – equity investment). This election is made on an investment-by-investment basis.

All financial assets not classified and measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:



# Notes to financial statements

for the year ended March 31, 2019

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets.

## Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the Statement of Profit and Loss.
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Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the Statement of Profit and Loss. Any gain or loss on derecognition is recognised in the Statement of Profit and Loss.
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Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the Statement of Profit and Loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.
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## Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the Statement of Profit and Loss. Any gain or loss on derecognition is also recognised as profit or loss respectively.

### (iii) Derecognition

#### Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the

financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

#### Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

### (iv) Impairment of financial instruments

The Company recognises loss allowances using the Expected Credit Loss (ECL) model for the financial assets which are not Fair Value Through Profit and Loss. Expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk or the assets have become credit impaired from initial recognition in which case, those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date is recognised as an impairment gain or loss in the Statement of Profit and Loss.

#### Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows which the Company expects to receive).

#### Presentation of allowance for expected credit losses in the balance sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

# Notes to financial statements

for the year ended March 31, 2019

## Write-off

The gross carrying amount of a financial asset is written-off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the counter party does not have assets or sources of income that could generate cash flows to repay the amounts. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

### 3.3 (A) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price (after deducting trade discounts and rebates) including import duties and non-refundable taxes, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Any gain or loss arising from disposal of an item of property, plant and equipment is recognised as profit or loss respectively.

#### (ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

#### (iii) Depreciation

Depreciation on property, plant and equipment 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.

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

Class of property, plant and equipment	Useful Life (No. of years)	
	As per the Companies Act, 2013	As per management's estimate
Buildings*	60	50
Computer Equipment:		
Server and Network*	6	4
Others	3	3
Furniture and Fixtures*	10	7
Electrical Installations*	10	7
Office Equipment	5	5
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 is of the opinion that the useful lives of these assets reflect the period over which they are expected to be used.

Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted, if required.

Depreciation on additions / disposals is provided on a pro- rata basis i.e. from / upto the date on which asset is ready to use / disposed off.

### (B) Goodwill

Goodwill was generated on acquisition of rights to operate, administer and manage the schemes of erstwhile Morgan Stanley Mutual Fund. Goodwill is not amortised but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses, if any.

### (C) Other intangible assets

Other intangible assets including computer software are measured at cost. Such other intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

#### (i) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Statement of Profit and Loss as incurred.

# Notes to financial statements

for the year ended March 31, 2019

## (ii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight-line method, and is included in depreciation and amortization in the Statement of Profit and Loss. Computer Software is being amortised over a period of 3 years.

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted, if required.

## 3.4 Impairment of non-financial assets

The Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of goodwill is the higher of its value in use and its fair value. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to it.

An impairment loss is recognised if the carrying amount of an asset or goodwill exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Profit and Loss.

An impairment loss in respect of goodwill is not subsequently reversed. In respect of other assets for which impairment loss has been recognised in prior periods, the Company reviews at each reporting date whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 3.5 Revenue recognition

### (i) Rendering of services

The Company recognises revenue from contracts with customers based on a five step model as set out in Ind AS 115, Revenue from Contracts with

Customers to determine when to recognize revenue and at what amount.

Revenue is measured based on the consideration specified in the contract with a customer. Revenue from contracts with customers is recognised when services are provided and it is highly probable that a significant reversal of revenue is not expected to occur.

If the consideration promised in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for rendering the promised services to a customer. The amount of consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, or other similar items. The promised consideration can also vary if an entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event.

### Nature of services

The Company principally generates revenue by providing asset management services to HDFC Mutual fund and other clients.

Services	Nature, timing of satisfaction of performance obligations and significant payment terms
Investment Management Services	The Company has been appointed as the investment manager to HDFC Mutual Fund. The Company receives investment management fees from the mutual fund which is charged as a percent of the Assets Under Management (AUM) and is recognised on accrual basis. The maximum amount of management fee that can be charged is subject to applicable regulations.
	The contract includes a single performance obligation (series of distinct services) that is satisfied over time and the investment management fees earned are considered as variable consideration.

# Notes to financial statements

for the year ended March 31, 2019

**Portfolio Management and Advisory Services** The Company provides portfolio management services and advisory services to its clients wherein a separate agreement is entered into with each client. The Company earns management fees which is generally charged as a percent of the Assets Under Management (AUM) and is recognised on accrual basis. The Company, in certain instances also has a right to charge performance fee to the clients if the portfolio achieves a particular level of performance as mentioned in the agreement with the client to the extent permissible under applicable regulations. Generally, no upfront fee is charged to the clients.

The contracts include a single performance obligation (series of distinct services) that is satisfied over time and the management fees and / or the performance fees earned are considered as variable consideration.

## (ii) Recognition of dividend income, interest income or expense, gains and losses from financial instruments

Dividend income is recognised in the Statement of Profit and Loss on the date on which the Company's right to receive dividend is established.

Interest income or expense is recognised using the effective interest rate method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset

is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

The realised gains / losses from financial instruments at FVTPL represents the difference between the carrying amount of a financial instrument at the beginning of the reporting period, or the transaction price if it was purchased in the current reporting period, and its settlement price.

The unrealised gains / losses represents the difference between the carrying amount of a financial instrument at the beginning of the period, or the transaction price if it was purchased in the current reporting period, and its carrying amount at the end of the reporting period.

## 3.6 Scheme expenses & commission

Certain scheme related expenses and commission paid to distributors were being borne by the Company till October 22, 2018. These expenses have been charged in accordance with applicable circulars and guidelines issued by SEBI and Association of Mutual Funds in India (AMFI) and have been presented under the respective expense heads in the Statement of Profit and Loss.

Any brokerage or commission paid by the Company in line with the applicable regulations is being amortised over the contractual period.

Pursuant to circulars issued by SEBI in this regard, with effect from October 22, 2018, all of these expenses, subject to certain minor exceptions, are being borne by the respective schemes.

New Fund Offer (NFO) expenses on the launch of schemes are borne by the Company and recognised in the Statement of Profit and Loss as and when incurred.

## 3.7 Employee benefits

### (i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

# Notes to financial statements

for the year ended March 31, 2019

## (ii) Share-based payment transactions

The Employee Stock Option Scheme provides for the grant of options to acquire equity shares of the Company to its employees and certain directors. The period of vesting and period of exercise are as specified within the respective schemes. The grant date fair value of equity settled share-based payment options granted to employees is recognised as an employee benefit expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the options. The amount recognised as expense is based on the estimate of the number of options for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of options that do meet the related service and non-market vesting conditions at the vesting date. Such compensation cost, if any, is amortised over the vesting period.

## (iii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into an account with a separate entity and has no legal or constructive obligation to pay further amounts. The Company makes specified periodic contributions to the credit of the employees' account with the Employees' Provident Fund Organisation. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Statement of Profit and Loss in the periods during which the related services are rendered by employees.

## (iv) Defined benefit plans

### Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of the defined benefit obligation is performed periodically by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in Other Comprehensive Income. The Company determines the net interest expense / income on the net defined benefit liability / asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability / asset, taking into account any changes in the net defined benefit liability / asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Statement of Profit and Loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in the Statement of Profit and Loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

## (v) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than post-employment benefits, which do not fall due wholly within 12 months after the end of the period in which the employees render the related services, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine

# Notes to financial statements

for the year ended March 31, 2019

its present value, and the fair value of any related assets is deducted. The obligation is measured on the basis of an independent actuarial valuation using the projected unit credit method. Remeasurements gains or losses are recognised as profit or loss in the period in which they arise.

### 3.8 Provisions (other than for employee benefits), contingent liabilities, contingent assets and commitments

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

A contingent asset is not recognised but disclosed in the financial statements where an inflow of economic benefit is probable.

Commitments includes the amount of purchase order (net of advance) issued to counterparties for supplying / development of assets and amounts pertaining to Investments which have been committed but not called for.

Provisions, contingent assets, contingent liabilities and commitments are reviewed at each balance sheet date.

### 3.9 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

#### Finance Lease

##### As a lessor:

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

#### Operating Lease

##### As a lessee:

Leases in which a substantial portion of the risk and rewards of the ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term unless the lease payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

### 3.10 Income tax

Income tax comprises of current and deferred tax. It is recognised in the Statement of Profit and Loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in Other Comprehensive Income.

#### (i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to

# Notes to financial statements

for the year ended March 31, 2019

income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

## (ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits, if any

### Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is other convincing evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised / reduced to the extent that it is probable / no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

## 3.11 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM's function is to allocate the resources of the Company and assess the performance of the operating segments of the Company.

## 3.12 Earnings per share (EPS)

The basic earnings per share is computed by dividing profit after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding during the reporting period.

The diluted earnings per share is computed by dividing profit after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding plus the weighted average number of equity shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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, unless they are anti-dilutive.

## 3.13 Dividends on equity shares

The Company recognises a liability to make cash distributions to equity shareholders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders except in case of interim dividend. A corresponding amount is recognised directly in equity.

# Notes to financial statements

for the year ended March 31, 2019

## Note 4 Cash and Cash Equivalents

PARTICULARS	₹ (in Crore)		
	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Balances with Banks	0.90	1.95	1.16
<b>Total</b>	<b>0.90</b>	<b>1.95</b>	<b>1.16</b>

## Note 5 Bank Balance other than Cash and Cash Equivalents

PARTICULARS	₹ (in Crore)		
	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Other Bank Balances			
- Fixed Deposit with Bank (security against bank guarantee)	31.09	0.11	0.11
<b>Total</b>	<b>31.09</b>	<b>0.11</b>	<b>0.11</b>

## Note 6 Trade Receivables\* (Considered good - Unsecured)

PARTICULARS	₹ (in Crore)		
	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Investment Management Fee Receivable	79.11	76.06	43.55
Portfolio Management Fee and Other Advisory Services Fee Receivable	3.55	14.21	41.54
<b>Total</b>	<b>82.66</b>	<b>90.27</b>	<b>85.09</b>

## Note 7 Other Receivables\* (Considered good - Unsecured)

PARTICULARS	₹ (in Crore)		
	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Related Parties	15.17	6.60	1.58
Other than Related Parties	5.03	6.11	4.99
<b>Total</b>	<b>20.20</b>	<b>12.71</b>	<b>6.57</b>

\* No debts are due from directors or other officers or any of them either severally or jointly with any other person. No debts are due from firms, Limited Liability Partnerships or private companies in which any director is a partner or a director or a member.



# Notes to financial statements

for the year ended March 31, 2019

## Note 8 Investments

SR. NO	PARTICULARS	As at March 31, 2019				As at March 31, 2018				As at April 01, 2017			
		Amortised Cost	At Fair Value Through Profit or Loss	Total		Amortised Cost	At Fair Value Through Profit or Loss	Total		Amortised Cost	At Fair Value Through Profit or Loss	Total	
		(1)	(2)	(3=1+2)	(4)	(1)	(2)	(3=1+2)	(4)	(1)	(2)	(3=1+2)	(4)
1	Mutual Funds	-	2,350.86	2,350.86	-	1,431.89	1,431.89	-	1,185.49	1,185.49	1,185.49	-	
2	Debt Securities	498.75	5.74	504.49	502.67	4.99	507.66	42.49	-	-	42.49	-	
3	Equity Instruments	-	0.26	0.26	-	0.23	0.23	-	0.05	0.05	0.05	-	
4	Preference Shares	70.00	-	70.00	70.00	-	70.00	70.00	-	-	70.00	-	
5	Alternative Investment Funds	-	28.03	28.03	-	23.21	23.21	-	15.77	15.77	15.77	-	
6	Venture Capital Fund	-	21.32	21.32	-	24.75	24.75	-	25.39	25.39	25.39	-	
	<b>Total Gross Investments (A)</b>	<b>568.75</b>	<b>2,406.21</b>	<b>2,974.96</b>	<b>572.67</b>	<b>1,485.07</b>	<b>2,057.74</b>	<b>112.49</b>	<b>1,226.70</b>	<b>1,339.19</b>	<b>1,339.19</b>	-	
7	(i) Investments outside India	-	-	-	-	-	-	-	-	-	-	-	
	(ii) Investments in India	568.75	2,406.21	2,974.96	572.67	1,485.07	2,057.74	112.49	1,226.70	1,339.19	1,339.19	-	
	<b>Total (B)</b>	<b>568.75</b>	<b>2,406.21</b>	<b>2,974.96</b>	<b>572.67</b>	<b>1,485.07</b>	<b>2,057.74</b>	<b>112.49</b>	<b>1,226.70</b>	<b>1,339.19</b>	<b>1,339.19</b>	-	
	Less: Allowance for Impairment (C)	40.00	-	40.00	-	-	-	-	-	-	-	-	
	<b>Total Net Investments (D = A - C)</b>	<b>528.75</b>	<b>2,406.21</b>	<b>2,934.96</b>	<b>572.67</b>	<b>1,485.07</b>	<b>2,057.74</b>	<b>112.49</b>	<b>1,226.70</b>	<b>1,339.19</b>	<b>1,339.19</b>	-	

# Notes to financial statements

for the year ended March 31, 2019

## Note 9 Other Financial Assets

PARTICULARS	₹ (in Crore)		
	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Interest accrued on Fixed Deposits	0.44	0.00	0.00
Interest accrued on Bonds	12.02	12.09	1.85
Security Deposits	15.52	10.28	9.25
<b>Total</b>	<b>27.98</b>	<b>22.37</b>	<b>11.10</b>

## Note 10 Deferred tax Assets (net) (see note 27)

PARTICULARS	₹ (in Crore)		
	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Deferred Tax Asset	-	-	11.58
Deferred Tax Liability	-	-	(10.11)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1.47</b>

# Notes to financial statements

for the year ended March 31, 2019

## Note 11 Property, Plant and Equipment, Goodwill and Other Intangible Assets

PARTICULARS	Gross Block			Depreciation / Amortisation			Net Block		
	As at April 01, 2018	Additions	Deductions	As at March 31, 2019	As at April 01, 2018	For the year	Deductions	As at March 31, 2019	As at March 31, 2019
<b>Property, Plant and Equipment</b>									
Buildings	4.34	-	-	4.34	0.10	0.10	0.00	0.20	4.14
Furniture & Fixtures	1.88	0.48	0.14	2.22	0.47	0.59	0.14	0.92	1.30
Office Equipment	4.80	3.54	0.74	7.60	0.62	1.72	0.74	1.60	6.00
Computer Equipment	7.60	2.77	0.57	9.80	2.24	3.12	0.55	4.81	4.99
Electrical Installations	0.34	0.00	0.00	0.34	0.10	0.10	0.00	0.20	0.14
Improvement of Rented Premises	8.28	6.12	0.63	13.77	1.83	3.51	0.63	4.71	9.06
<b>Total</b>	<b>27.24</b>	<b>12.91</b>	<b>2.08</b>	<b>38.07</b>	<b>5.36</b>	<b>9.14</b>	<b>2.06</b>	<b>12.44</b>	<b>25.63</b>
<b>Goodwill and Other Intangible Assets</b>									
Goodwill	6.04	-	-	6.04	-	-	-	-	6.04
Computer Software	4.66	8.95	0.37	13.24	1.65	3.71	0.15	5.21	8.03
<b>Total</b>	<b>10.70</b>	<b>8.95</b>	<b>0.37</b>	<b>19.28</b>	<b>1.65</b>	<b>3.71</b>	<b>0.15</b>	<b>5.21</b>	<b>14.07</b>

PARTICULARS	Gross Block			Depreciation / Amortisation			Net Block		
	As at April 01, 2017	Additions	Deductions	As at March 31, 2018	As at April 01, 2017	For the year	Deductions	As at March 31, 2018	As at March 31, 2018
<b>Property, Plant and Equipment</b>									
Buildings	4.34	-	-	4.34	-	0.10	-	0.10	4.24
Furniture & Fixtures	1.49	0.70	0.31	1.88	-	0.78	0.31	0.47	1.41
Office Equipment	3.59	2.05	0.84	4.80	-	1.46	0.84	0.62	4.18
Computer Equipment	3.65	4.40	0.45	7.60	-	2.69	0.45	2.24	5.36
Electrical Installations	0.34	-	-	0.34	-	0.10	0.00	0.10	0.24
Improvement of Rented Premises	6.22	2.81	0.75	8.28	-	2.58	0.75	1.83	6.45
<b>Total</b>	<b>19.63</b>	<b>9.96</b>	<b>2.35</b>	<b>27.24</b>	<b>-</b>	<b>7.71</b>	<b>2.35</b>	<b>5.36</b>	<b>21.88</b>
<b>Goodwill and Other Intangible Assets</b>									
Goodwill	6.04	-	-	6.04	-	-	-	-	6.04
Computer Software	2.52	2.14	-	4.66	-	1.65	-	1.65	3.01
<b>Total</b>	<b>8.56</b>	<b>2.14</b>	<b>-</b>	<b>10.70</b>	<b>-</b>	<b>1.65</b>	<b>-</b>	<b>1.65</b>	<b>9.05</b>

The Company has availed the deemed cost exemption as per Ind AS 101 in relation to the Property Plant and Equipment, Goodwill and Other Intangible Assets as on the date of transition (April 01, 2017) and hence the net block of carrying amount as at March 31, 2017 has been considered as the gross block of carrying amount on the date of transition. Refer note below for the gross block value and the accumulated depreciation as at March 31, 2017 under the previous GAAP.

# Notes to financial statements

for the year ended March 31, 2019

₹ (In Crore)

PARTICULARS	Gross Block	Accumulated Depreciation	Net Block
<b>Property, Plant and Equipment</b>			
Buildings	5.00	0.66	4.34
Furniture & Fixtures	5.29	3.80	1.49
Office Equipment	18.62	15.03	3.59
Computer Equipment	16.95	13.31	3.65
Electrical Installations	0.67	0.33	0.34
Improvement of Rented Premises	40.67	34.45	6.22
<b>Total</b>	<b>87.20</b>	<b>67.57</b>	<b>19.63</b>
<b>Goodwill and Other Intangible Assets</b>			
Goodwill	75.17	69.13	6.04
Computer Software	14.79	12.27	2.52
<b>Total</b>	<b>89.96</b>	<b>81.40</b>	<b>8.56</b>

## Impairment testing

The Goodwill relates to acquisition of rights to operate, administer and manage schemes of the erstwhile Morgan Stanley Mutual Fund. The recoverable amount is the management fee income based on the present value of the future cash flows expected to be derived from the asset (value in use). Management fee income is assumed to be generated at a constant rate and is discounted using a pre-tax discount rate of 7.31% based on 5 year Government security (G-sec) yield.

An analysis of sensitivity of the computation to a change in key parameters based on reasonably probable assumptions did not identify any probable scenarios in which the recoverable amount would decrease below the carrying amount of goodwill. Consequently, no impairment is required.

## Note 12 Other Non-Financial Assets (Considered good - Unsecured)

₹ (in Crore)

PARTICULARS	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Capital Advances	0.04	1.57	2.59
Prepaid Expenses			
- Related Parties	1.45	1.17	0.58
- Others	38.16	198.63	181.22
	<b>39.61</b>	<b>199.80</b>	<b>181.80</b>
Service Tax / Goods & Services Tax Credit Receivable	7.81	14.80	1.36
Other Receivable - Others			
- Related Parties	0.03	0.46	0.01
- Others	0.44	1.34	2.58
	<b>0.47</b>	<b>1.80</b>	<b>2.59</b>
<b>Total</b>	<b>47.93</b>	<b>217.97</b>	<b>188.34</b>

# Notes to financial statements

for the year ended March 31, 2019

## Note 13 Trade Payables

PARTICULARS	₹ (in Crore)		
	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Outstanding dues of Small Enterprises and Micro Enterprises	-	-	-
Outstanding dues of creditors other than Small Enterprises and Micro Enterprises	47.36	111.58	96.06
<b>Total</b>	<b>47.36</b>	<b>111.58</b>	<b>96.06</b>

## Note 14 Other Financial Liabilities

PARTICULARS	₹ (in Crore)		
	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Employee Benefits	61.14	56.30	54.00
Other Dues	4.55	10.35	14.07
<b>Total</b>	<b>65.69</b>	<b>66.65</b>	<b>68.07</b>

## Note 15 Provisions

PARTICULARS	₹ (in Crore)		
	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Provision for Employee Benefits (compensated absences)	1.01	0.89	0.90
<b>Total</b>	<b>1.01</b>	<b>0.89</b>	<b>0.90</b>

## Note 16 Deferred tax Liabilities (net) (see note 27)

PARTICULARS	₹ (in Crore)		
	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Deferred Tax Asset	(12.19)	(12.11)	-
Deferred Tax Liability	15.03	16.33	-
<b>Total</b>	<b>2.84</b>	<b>4.22</b>	<b>-</b>

## Note 17 Other Non-Financial Liabilities

PARTICULARS	₹ (in Crore)		
	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Statutory Dues	30.59	28.52	6.74
Employee Benefits	3.77	3.02	4.88
<b>Total</b>	<b>34.36</b>	<b>31.54</b>	<b>11.62</b>

# Notes to financial statements

for the year ended March 31, 2019

## Note 18 Share Capital

PARTICULARS	₹ (in Crore)		
	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
<b>Authorised</b>			
60,00,00,000 Equity Shares of ₹ 5 each (March 31, 2018: 60,00,00,000 Equity Shares of ₹ 5 each, April 01, 2017: 3,00,00,000 Equity Shares of ₹ 10 each)	300.00	300.00	30.00
5,00,00,000 Redeemable, Cumulative Non-Convertible Preference Shares of ₹ 10 each (March 31, 2018: 5,00,00,000, April 01, 2017: 5,00,00,000)	50.00	50.00	50.00
<b>Total</b>	<b>350.00</b>	<b>350.00</b>	<b>80.00</b>
<b>Issued, Subscribed and Paid-up</b>			
21,25,73,210 Equity Shares of ₹ 5 each (March 31, 2018: 21,05,55,200 Equity Shares of ₹ 5 each) (April 01, 2017: 2,51,66,900 Equity Shares of ₹ 10 each), fully paid up	106.29	105.28	25.17
<b>Total</b>	<b>106.29</b>	<b>105.28</b>	<b>25.17</b>

### a) Movement in Equity Share Capital during the year:

PARTICULARS	March 31, 2019		March 31, 2018	
	No. of Equity Shares	Share Capital	No. of Equity Shares	Share Capital
Shares outstanding at the beginning of the year (face value of ₹ 5 each) (Previous year face value of ₹ 10 each)	21,05,55,200	105.28	2,51,66,900	25.17
Add: Shares issued during the year (face value of ₹ 5 each) (Previous year face value of ₹ 10 each)	20,18,010	1.01	11,52,500	1.15
Add: Bonus shares issued out of the Securities Premium as per the note below (face value of ₹ 10 each)	-	-	7,89,58,200	78.96
Add: Subdivision of shares as per the note below (face value of ₹ 5 each)	-	-	10,52,77,600	-
Shares outstanding at the end of the year (face value of ₹ 5 each) (Previous year face value of ₹ 5 each)	21,25,73,210	106.29	21,05,55,200	105.28

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

- Increase in the authorised share capital of the Company from ₹ 80 Crore divided into 3,00,00,000 equity shares of ₹ 10 each and 5,00,00,000 preference shares of ₹ 10 each to ₹ 350 Crore divided into 30,00,00,000 equity shares of ₹ 10 each and 5,00,00,000 preference shares of ₹ 10 each.
- 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.
- Subdivision of the authorised 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.
- Accordingly, the revised authorised share capital of the Company as at March 31, 2018 stood at ₹ 350 Crore 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 ₹ 105.28 Crore comprising of 21,05,55,200 equity shares of ₹ 5 each.

# Notes to financial statements

for the year ended March 31, 2019

## Private Placement:

In accordance with Sections 62(1)(c), 42 and 179 of the Companies Act, 2013 including the rules and regulations framed thereunder and pursuant to approval by the Board of Directors of the Company at its meeting held on April 17, 2018 and by the Shareholders of the Company at the Extraordinary General Meeting held on April 18, 2018, 14,33,600 equity shares of face value of ₹ 5 each were issued and allotted to applicants at a premium of ₹ 1,045 per share on a private placement basis.

## Initial Public Offering

The Company has completed the Initial Public Offering ('IPO') through an offer for sale of 2,54,57,555 equity shares (85,92,970 equity shares by Housing Development Finance Corporation Limited and 1,68,64,585 equity shares by Standard Life Investments Limited) of face value of ₹ 5 each at a price of ₹ 1,100 per equity share aggregating up to ₹ 2,800.33 Crore. The equity shares of the Company were listed on National Stock Exchange of India Limited ('NSE') and BSE Limited ('BSE') on August 06, 2018.

## 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 was 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) 11,21,79,830 equity shares of ₹ 5 each (Previous Year 12,07,72,800 equity shares of ₹ 5 each) are held by Housing Development Finance Corporation Limited (Holding Company) and its nominees.

## d) Details of Holding Company and Shareholders holding more than 5 percent Share Capital of the Company

:

NAME OF THE SHAREHOLDER	As at March 31, 2019		As at March 31, 2018		As at April 01, 2017	
	No. of Equity Shares (Face Value ₹ 5)	% of Share Capital	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) and its nominees	11,21,79,830	52.77	12,07,72,800	57.36	1,50,96,600	59.99
Standard Life Investments Limited	6,36,50,615	29.94	8,05,15,200	38.24	1,00,64,400	39.99

- e) 9,10,990 equity shares of ₹ 5 each are reserved for issuance towards outstanding employee stock options.
- f) 7,85,400 equity shares of ₹ 10 each (Previous Year 9,26,900 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 were issued by way of bonus shares during the period of five years immediately preceding the reporting date.

# Notes to financial statements

for the year ended March 31, 2019

## Note 19 Nature and purpose of reserves

### Share application pending allotment

Until the shares are allotted, the amount received is shown under the Share Application Money Pending Allotment.

### Capital redemption reserve

Whenever there is a buy-back or redemption of share capital, the nominal value of the capital is transferred to a reserve called Capital Redemption Reserve so as to retain the capital.

### Securities premium

Securities Premium is used to record the premium (amount received in excess of face value of equity shares) on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013.

### General reserve

Pursuant to the provisions of Companies Act, 1956, the Company had transferred a portion of the net profit of the Company before declaring dividend to general reserve. Mandatory transfer to general reserve is not required under the Companies Act, 2013.

### Share options outstanding account

The grant date fair value of equity-settled share-based payment transactions with employees and directors are recognised in the Statement of Profit and Loss with the corresponding credit to this account.

### Reserve for social / philanthropic causes & investor centric initiatives

This reserve was created with the object of participating and supporting projects undertaken by Non-Governmental organisations, community groups and others for social / philanthropic causes and investor centric initiatives.

### Retained earnings

Retained earnings are the profits that a company has earned to date, less any dividends or other distributions paid to the Shareholders, net of utilisation as permitted under applicable regulations.

## Note 20 Asset Management Services

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2019	For the year ended March 31, 2018
Investment Management Fee	1,895.39	1,733.50
Portfolio Management Fee and Other Advisory Services Fee	19.79	23.27
<b>Total</b>	<b>1,915.18</b>	<b>1,756.77</b>



# Notes to financial statements

for the year ended March 31, 2019

## Note 21 Other Income

₹ (in Crore)

PARTICULARS	For the year ended March 31, 2019	For the year ended March 31, 2018
<b>Income from Investments</b>		
Interest Income from Investments		
- On Financial Assets measured at Amortised Cost	32.02	4.89
Interest on deposit with Banks		
- On Financial Assets measured at Amortised Cost	1.51	0.00
Net gain / (loss) on Financial Instruments		
- On Financial Assets classified at Fair Value Through Profit and Loss	61.24	77.35
Dividend Income from Investments		
- On Financial Assets measured at Amortised Cost	6.31	2.58
- On Financial Assets classified at Fair Value Through Profit and Loss	57.44	27.09
<b>Total Income from Investments (A)</b>	<b>158.52</b>	<b>111.91</b>
<b>Others</b>		
Net gain / (loss) on derecognition of Property, Plant and Equipment	(0.20)	0.07
Net gain / (loss) on Foreign Exchange Transactions	0.23	(0.16)
Other Interest Income	1.10	1.06
Miscellaneous Income	21.95	0.12
<b>Total Others (B)</b>	<b>23.08</b>	<b>1.09</b>
<b>Total Other Income (A+B)</b>	<b>181.60</b>	<b>113.00</b>

## Note 22 Impairment on Financial Instruments

₹ (in Crore)

PARTICULARS	For the year ended March 31, 2019	For the year ended March 31, 2018
Impairment Loss (on Financial Instruments - Investments measured at Amortised Cost) (see note 37)	40.00	-
<b>Total</b>	<b>40.00</b>	<b>-</b>

## Note 23 Employee Benefits Expenses

₹ (in Crore)

PARTICULARS	For the year ended March 31, 2019	For the year ended March 31, 2018
Salaries, Allowances and Bonus	189.23	165.01
Contribution to Provident and Other Funds	8.83	8.23
Share Based Payments to Employees	5.25	9.69
Staff Welfare and Training Expenses	2.96	3.17
<b>Total</b>	<b>206.27</b>	<b>186.10</b>

# Notes to financial statements

for the year ended March 31, 2019

## Note 24 Other Expenses

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2019	For the year ended March 31, 2018
Mutual Fund and New Fund Offer Expenses	6.30	38.73
Advertisement, Publicity and Business Promotion	35.72	78.49
Rent	38.50	36.45
Rates and Taxes	0.28	0.17
Electricity Charges	5.72	5.37
Repair and Maintenance	22.83	19.59
Communication Expenses	5.04	4.55
Printing, Stationery and Courier	24.75	28.94
Directors Sitting Fees, allowances and expenses	1.65	1.83
<b>Auditors Remuneration:</b>		
Audit Fee	0.18	0.12
Tax Audit Fee	0.02	0.02
Taxation Matters	0.26	0.14
Reimbursement of Expenses	0.01	0.02
Other Services	0.23	0.18
	<b>0.70</b>	<b>0.48</b>
Legal and Professional Fees	10.62	9.21
Insurance Expenses	3.60	2.80
Travel and Conveyance	7.06	7.10
Subscription and Membership Fees	7.14	7.90
Outsourced Services Cost	19.86	19.95
Donations	0.05	0.03
Corporate Social Responsibility expense as per Section 135 (5) of the Companies Act, 2013 (see note 34)	16.98	14.39
Miscellaneous Expenses	15.90	13.11
<b>Total</b>	<b>222.70</b>	<b>289.09</b>

## Note 25 Employee Benefits

### a) Defined Contribution Plan

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

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2019	For the year ended March 31, 2018
Employer's contribution to Provident Fund	5.84	5.23

### b) Defined Benefit Plan - Gratuity

In accordance with the applicable Indian laws, the Company has a defined benefit plan which provides for gratuity payments. The plan provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment, which requires contributions to be made to a separately administered fund.

# Notes to financial statements

for the year ended March 31, 2019

The fund is managed by a trust which is governed by the Board of Trustees. The Board of Trustees are responsible for the administration of the plan assets and for the definition of the investment strategy.

The amounts are based on the respective employee's last drawn salary and the years of employment with the Company. Liabilities in respect of the gratuity plan are determined by an actuarial valuation, based upon which the Company makes annual contributions to the plan. The plan is funded with a life insurance company in the form of a qualifying insurance policy.

The following tables summaries the components of net employee benefit expense recognised in the Statement of Profit and Loss, the funded status and amounts recognised in Balance Sheet.

## (i) Changes in Present Value of the Defined Benefit Obligation

PARTICULARS	₹ (in Crore)	
	As at March 31, 2019	As at March 31, 2018
Obligation as at beginning of the year	24.81	21.84
Current service cost	2.43	2.31
Interest cost	1.91	1.59
Benefits paid	(0.72)	(0.69)
Actuarial (gains) / losses on obligation - due to change in demographic assumptions	-	0.18
Actuarial (gains) / losses on obligation - due to change in financial assumptions	0.23	(0.79)
Actuarial (gains) / losses on obligation - due to experience adjustments	0.10	0.37
Obligation as at the end of the year	28.76	24.81

## (ii) Change in the Fair Value of Plan Assets

PARTICULARS	₹ (in Crore)	
	As at March 31, 2019	As at March 31, 2018
Fair Value of Plan Assets at the beginning of the year	22.25	17.38
Expected return on plan assets	1.72	1.26
Contributions by the Employer	2.55	4.46
Benefit Paid from the Fund	(0.72)	(0.69)
Actuarial gain / (loss) on plan assets	(0.29)	(0.16)
Fair Value of Plan Assets at the end of the year	25.51	22.25

## (iii) Actual Return on Plan Assets

PARTICULARS	₹ (in Crore)	
	As at March 31, 2019	As at March 31, 2018
Expected return on Plan Assets	1.72	1.26
Actuarial gain / (loss) on Plan Assets	(0.29)	(0.16)
Actual Return on Plan Assets	1.43	1.10

# Notes to financial statements

for the year ended March 31, 2019

## (iv) Amount recognised in the Balance Sheet

PARTICULARS	₹ (in Crore)		
	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Present Value of defined benefit obligation	(28.76)	(24.81)	(21.84)
Fair Value of Plan Assets	25.51	22.25	17.38
Funded status [surplus / (deficit)]	(3.25)	(2.56)	(4.46)
Net Liability recognised in the Balance Sheet	(3.25)	(2.56)	(4.46)

## (v) Expenses recognised in the Statement of Profit and Loss

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2019	For the year ended March 31, 2018
Current service cost	2.43	2.31
Interest Cost	1.91	1.59
Expected Return on Plan Assets	(1.72)	(1.26)
Expenses recognised in the Statement of Profit and Loss	2.62	2.64

## (vi) Expenses recognised in Other Comprehensive Income (OCI)

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2019	For the year ended March 31, 2018
Actuarial (gains) / losses on Obligation	0.33	(0.24)
Actuarial (gains) / losses on Plan Assets	0.29	0.16
Net (income) / expense for the period recognized in OCI	0.62	(0.08)

## (vii) Amount Recognised in the Balance Sheet

PARTICULARS	₹ (in Crore)		
	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Liability at the end of the year	28.76	24.81	21.84
Fair Value of Plan Assets at the end of the year	(25.51)	(22.25)	(17.38)
Amount recognised in the Balance Sheet as Liability	3.25	2.56	4.46

## (viii) Balance sheet reconciliation

PARTICULARS	₹ (in Crore)	
	As at March 31, 2019	As at March 31, 2018
Net Liability as at the beginning of the year	2.56	4.46
Expenses recognised in the Statement of Profit and Loss	2.62	2.64
Expenses / (Income) recognised in OCI	0.62	(0.08)
Contributions by the Employer	(2.55)	(4.46)
Net Liability / (Asset) recognized in Balance Sheet	3.25	2.56

# Notes to financial statements

for the year ended March 31, 2019

## (ix) Investment Pattern

PARTICULARS	% Invested		
	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Money Market Instruments and Public Deposits	100	100	100

## (x) Actuarial Assumptions

PARTICULARS	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Expected Return on Plan Assets	7.59%	7.71%	7.26%
Rate of Discounting	7.59%	7.71%	7.26%
Rate of Salary Increase	6.00%	6.00%	6.00%
Rate of Employee Turnover	For service 4 years and below - 14.27% p.a. For service 5 years and above - 7.07% p.a.	For service 4 years and below - 14.27% p.a. For service 5 years and above - 7.07% p.a.	For service 4 years and below 10.24% p.a. For service 5 years and above - 5.40% p.a.
Mortality Rate During Employment	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)

## (xi) Maturity Analysis of the benefit payments

PARTICULARS	₹ (in Crore)	
	As at March 31, 2019	As at March 31, 2018
Projected benefits payable in future years from the date of reporting		
1st Following year	4.51	4.05
2nd Following year	2.05	1.79
3rd Following year	2.49	1.80
4th Following year	2.08	2.17
5th Following year	2.16	1.79
Sum of years 6 to 10	14.31	10.67
Sum of years 11 and above	28.34	26.89

The Weighted average duration of the projected benefit obligation is 8 years (March 31, 2018: 8 years)

# Notes to financial statements

for the year ended March 31, 2019

## (xii) Sensitivity Analysis

PARTICULARS	₹ (in Crore)	
	As at March 31, 2019	As at March 31, 2018
Projected Benefit Obligation on Current Assumptions	28.76	24.81
Delta Effect of +1% Change in Rate of Discounting	(1.83)	(1.59)
Delta Effect of -1% Change in Rate of Discounting	2.09	1.82
Delta Effect of +1% Change in Rate of Salary Increase	2.10	1.83
Delta Effect of -1% Change in Rate of Salary Increase	(1.88)	(1.63)
Delta Effect of +1% Change in Rate of Employee Turnover	0.19	0.19
Delta Effect of -1% Change in Rate of Employee Turnover	(0.22)	(0.22)

The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analysis presented above may not be representative of the actual change in the projected benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the projected benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as applied in calculating the projected benefit obligation as recognised in the Balance Sheet.

### Risks associated with Defined Benefit Plan:

#### (i) Interest Rate Risk

A fall in the discount rate which is linked to the G-Sec rate will increase the present value of the liability requiring higher provision. A fall in the discount rate generally increases the fair value of the assets depending on the duration of asset.

#### (ii) Salary Risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of members. As such, an increase in the salary of the members more than the assumed level will increase the plan's liability.

#### (iii) Investment Risk

The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds. If the return on plan asset is below this rate, it will create a plan deficit. Currently, for the gratuity plan in India, it has a relatively balanced mix of investments in money market instruments and public deposits.

#### (iv) Asset Liability Matching (ALM) Risk

The plan faces the ALM risk as to the matching cash flow. Since the gratuity plan is invested in lines with Rule 101 of Income Tax Rules, 1962, this generally reduces ALM risk.

#### (v) Mortality Risk

Since the benefits under the plan are not payable for life time and are payable till retirement age only, the plan does not have any longevity risk.

# Notes to financial statements

for the year ended March 31, 2019

## (vi) Concentration Risk

The plan has a concentration risk as all the assets are invested with the insurance company and a default will wipe out all the assets. Although probability of this is very low as insurance companies have to follow stringent regulatory guidelines which mitigate risk.

During the year, there were no plan amendments, curtailments and settlements.

## Note 26 Share based payments

### Accounting for Employee Share Based Payments

Under Employees Stock Option Scheme 2017 – Series II (ESOS 2017 – Series II), the Company had on January 17, 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. 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 July 28, 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. 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 March 16, 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. 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 June 22, 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. 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 December 10, 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

# Notes to financial statements

for the year ended March 31, 2019

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. The options can be exercised over a period of three years from the date of vesting

Under Employees Stock Option Scheme 2013 – Series I (ESOS 2013 – Series I), the Company had on June 26, 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. 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 September 14, 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. 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.

## Comparison of exercise price per option:

₹

NAME OF THE SERIES	Pre corporate action	Post corporate action
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 (ESOS), as approved by the Nomination & Remuneration Committee are disclosed separately.



# Notes to financial statements

for the year ended March 31, 2019

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

## The details of number of options vested are as follows:

NAME OF THE SERIES	For the year ended	For the year ended
	March 31, 2019	March 31, 2018
ESOS 2015 Series II	-	7,000
ESOS 2015 Series III	-	1,12,000
ESOS 2017 Series I	12,57,400	-
ESOS 2017 Series II	48,000	-

## The details of number of options vested and lapsed are as follows:

NAME OF THE SERIES	For the year ended	For the year ended
	March 31, 2019	March 31, 2018
ESOS 2017 Series I	2,000	-

## Movement in the options under ESOS 2012 & ESOS 2013:

PARTICULARS	No. of Options					
	For the year ended March 31, 2019			For the year ended March 31, 2018		
	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	Nil	Nil	Nil	1,64,500	Nil	9,000
Granted during the year	Nil	Nil	Nil	Nil	Nil	Nil
Exercised during the year	Nil	Nil	Nil	1,64,500	Nil	9,000
Lapsed during the year	Nil	Nil	Nil	Nil	Nil	Nil
Addition due to Corporate Action	Nil	Nil	Nil	Nil	Nil	Nil
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

## Movement in the options under ESOS 2015:

PARTICULARS	No. of Options					
	For the year ended March 31, 2019			For the year ended March 31, 2018		
	ESOS 2015			ESOS 2015		
	Series I	Series II	Series III	Series I	Series II	Series III
Outstanding at the beginning of the year	80,000	Nil	1,12,000	9,82,000	7,000	14,000
Granted during the year	Nil	Nil	Nil	Nil	Nil	Nil
Exercised during the year	Nil	Nil	1,12,000	9,72,000	7,000	Nil
Lapsed during the year	Nil	Nil	Nil	Nil	Nil	Nil
Addition due to Corporate Action	Nil	Nil	Nil	70,000	Nil	98,000
Outstanding at the end of the year	80,000	Nil	Nil	80,000	Nil	1,12,000
Exercisable at the end of the year	80,000	Nil	Nil	80,000	Nil	1,12,000

# Notes to financial statements

for the year ended March 31, 2019

## Movement in the options under ESOS 2017:

PARTICULARS	No. of Options			
	For the year ended March 31, 2019		For the year ended March 31, 2018	
	ESOS 2017		ESOS 2017	
	Series I	Series II	Series I	Series II
Outstanding at the beginning of the year	12,61,800	48,000	Nil	Nil
Granted during the year	Nil	Nil	1,58,875	6,000
Exercised during the year	4,72,410	Nil	Nil	Nil
Lapsed before Corporate Action	Nil	Nil	850	Nil
Addition due to Corporate Action	Nil	Nil	11,06,175	42,000
Lapsed after Corporate Action	6,400	Nil	2,400	Nil
Outstanding at the end of the year	7,82,990	48,000	12,61,800	48,000
Exercisable at the end of the year	7,82,990	48,000	Nil	Nil

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

### Fair value methodology

The fair value of options used to compute 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 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 2012– Series I	ESOS 2012– Series II	ESOS 2013– Series I
Date of grant	September 14, 2012	September 14, 2012	June 26, 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 post corporate action	₹ 47	₹ 62	₹ 54

PARTICULARS	ESOS 2015– Series I	ESOS 2015– Series II	ESOS 2015– Series III
Date of grant	December 10, 2015	June 22, 2016	March 16, 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 to financial statements

for the year ended March 31, 2019

PARTICULARS	ESOS 2017–	ESOS 2017–
	Series I	Series II
Date of grant	July 28, 2017	January 17, 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

Volatility is a measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of volatility used in the Black - Scholes Model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time.

In case of schemes other than ESOS 2017–Series II, as on the date of grant, the Company being an unlisted company and in the absence of listed comparable companies, volatility has been considered to be NIL.

As on the date of grant in case of ESOS 2017–Series II, the sector had only one listed stock which was listed during that year. The volatility derived from this stock has been annualised for the purpose of this valuation.

## Details of modifications in terms and conditions of ESOS:

No modifications were made in the terms and conditions of ESOS during the current year. The Nomination & Remuneration Committee at its meeting held on July 20, 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 July 20, 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 net income and earnings per equity share.

# Notes to financial statements

for the year ended March 31, 2019

## Note 27 Tax expense

### Components of Income Tax Expense

#### (a) Amounts recognised in the Statement of Profit and Loss

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2019	For the year ended March 31, 2018
Current income tax	445.47	341.25
	445.47	341.25
Deferred tax (Income) / expense		
Origination and reversal of temporary differences	(1.37)	5.69
	(1.37)	5.69
<b>Income Tax expense for the year</b>	<b>444.10</b>	<b>346.94</b>

#### (b) Tax on amounts recognised in Other Comprehensive Income

PARTICULARS	₹ (in Crore)	
	Tax (expense) / benefit	
	For the year ended March 31, 2019	For the year ended March 31, 2018
Remeasurement of the defined benefit plans	0.22	(0.03)
<b>Total</b>	<b>0.22</b>	<b>(0.03)</b>

#### (c) Reconciliation of Effective Tax Rate

Reconciliation between the statutory Income tax rate applicable to the Company and the effective Income tax rate of the Company	₹ (in Crore)	
	For the year ended March 31, 2019	For the year ended March 31, 2018
<b>Profit before tax</b>	<b>1,374.70</b>	<b>1,058.23</b>
Company's domestic tax rate	34.94%	34.61%
Tax using the Company's domestic tax rate	480.38	366.23
<b>Tax effect of / on:</b>		
Net expenses that are not deductible in determining taxable profit	1.35	3.24
Items which are taxed at different rates	(7.69)	(13.47)
Incomes which are exempt from tax	(33.46)	(11.96)
Expenses for which weighted deduction under tax laws is allowed	2.97	2.04
Others	0.55	0.98
Effect of changes in income tax rate on deferred tax balances	-	(0.12)
<b>Total</b>	<b>(36.28)</b>	<b>(19.29)</b>
<b>Income Tax expense for the year</b>	<b>444.10</b>	<b>346.94</b>

# Notes to financial statements

for the year ended March 31, 2019

## (d) Effective Tax Rate

PARTICULARS	For the year ended March 31, 2019	For the year ended March 31, 2018
Effective Tax Rate (%)	32.31	32.78

In the FY 18-19, the government enacted a change in the national income tax rate by increasing the Health and Education Cess on income tax from 3% to 4%. Accordingly, the income tax rate had increased from 34.61% in the FY 17-18 to 34.94% in the FY 18-19.

## (e) Significant components and movement in deferred tax assets and liabilities:

₹ (in Crore)

PARTICULARS	Balance as at March 31, 2018	Expense / (Income) recognised	Balance as at March 31, 2019
<b>Deferred Tax Assets</b>			
- Property, Plant and Equipment	10.37	(0.01)	10.38
- Provision for Employee Benefits	0.31	(0.04)	0.35
- Others	1.43	(0.03)	1.46
<b>Total Deferred Tax Assets</b>	<b>12.11</b>	<b>(0.08)</b>	<b>12.19</b>
<b>Deferred Tax Liabilities</b>			
- Fair value gains / losses and impairment on Investments	13.99	(0.98)	13.01
- Others	2.34	(0.31)	2.02
<b>Total Deferred Tax Liabilities</b>	<b>16.33</b>	<b>(1.29)</b>	<b>15.03</b>
<b>Net Deferred Tax Assets / (Liabilities)</b>	<b>(4.22)</b>	<b>(1.37)</b>	<b>(2.84)</b>

₹ (in Crore)

PARTICULARS	Balance as at April 01, 2017	Expense / (Income) recognised	Balance as at March 31, 2018
<b>Deferred Tax Assets</b>			
- Property, Plant and Equipment	9.99	(0.38)	10.37
- Provision for Employee Benefits	0.31	0.00	0.31
- Others	1.28	(0.15)	1.43
<b>Total Deferred Tax Assets</b>	<b>11.58</b>	<b>(0.53)</b>	<b>12.11</b>
<b>Deferred Tax Liabilities</b>			
- Fair value gains / losses and impairment on Investments	7.92	6.07	13.99
- Others	2.19	0.15	2.34
<b>Total Deferred Tax Liabilities</b>	<b>10.11</b>	<b>6.22</b>	<b>16.33</b>
<b>Net Deferred Tax Assets / (Liabilities)</b>	<b>1.47</b>	<b>5.69</b>	<b>(4.22)</b>

### Note:

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

# Notes to financial statements

for the year ended March 31, 2019

Significant management judgement is required in determining provision for income tax, deferred tax assets and liabilities and recoverability of deferred tax assets. The recoverability of deferred tax assets is based on estimates of taxable income and the period over which deferred tax assets will be recovered. Any changes in future taxable income would impact the recoverability of deferred tax assets.

## Note 28 Related Party Transactions

As per the Indian Accounting Standard on 'Related Party Disclosures' (Ind AS 24), the related parties of the Company with whom there have been transactions during the year, are as follows:

Sr. No.	Relationship	Name of the Parties
1	Holding Company	Housing Development Finance Corporation Limited
2	Fellow Subsidiaries	HDFC Trustee Company Limited HDFC Life Insurance Company Limited HDFC ERGO General Insurance Company Limited HDFC Realty Limited (upto January 24, 2018) HDFC Sales Private Limited
3	Investor with a significant influence	Standard Life Investments Limited
4	Other Related Parties	HDFC Bank Limited HDFC Securities Limited HDFC Asset Management Company Limited Employees' Group Gratuity Assurance Scheme C J Industries (from January 22, 2019)
5	Key Managerial Personnel (KMP)	Deepak S Parekh Milind Barve Keki Mistry Hoshang Billimoria Humayun Dhanrajgir (upto October 31, 2018) P. M. Thampi (upto October 31, 2018) Rajeshwar R. Bajaaj (upto October 31, 2018) Dhruv Kaji (from October 31, 2018) Jairaj Purandare (from October 31, 2018) Sanjay Bhandarkar (from October 31, 2018) Parag Shah (from January 22, 2019) Vijay Merchant Dr. Deepak Phatak Renu S Karnad
6	Key Managerial Personnel of Holding Company (except covered above)	V. Srinivasa Rangan Jamshed Jiji Irani
7	Relatives of Company's Key Managerial Personnel and Holding Company's Key Managerial Personnel	Smita Deepak Parekh Harsha Shantilal Parekh Arnaaz Keki Mistry Rita Vijay Merchant Bharat Karnad Ashok Sud V. Jayam S. Anuradha Abinaya Rangan



# Notes to financial statements

for the year ended March 31, 2019

## (b) Details of remuneration paid to Company's KMPs

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2019	For the year ended March 31, 2018
Short-term employee benefits	7.27	6.90
Post employment benefits	0.19	0.21
Other long-term benefits	-	0.00
Share based payment	0.66	1.37
Other Benefits	0.03	0.02
Directors Sitting Fees	1.65	1.82
<b>Total Remuneration</b>	<b>9.80</b>	<b>10.32</b>

## (c) Details of dividend paid to Company's KMPs

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2019	For the year ended March 31, 2018
Dividend on Equity Shares	1.84	2.30

## (d) Details of dividend paid to relatives of Company's KMPs, Holding Company's KMPs and relatives of Holding Company's KMPs

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2019	For the year ended March 31, 2018
Dividend on Equity Shares	0.00	-

## Note 29 Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing the profit after tax for the year attributable to equity shareholders of company by the weighted average number of equity shares outstanding during the year.

Diluted EPS is calculated by dividing the profit after tax for the year attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The relevant details as described above are as follows:

PARTICULARS	₹ (in Crore except equity share data)	
	For the year ended March 31, 2019	For the year ended March 31, 2018
Profit after tax for the year	930.60	711.29
Weighted Average equity shares outstanding during the year	21,21,14,217	20,60,33,611



# Notes to financial statements

for the year ended March 31, 2019

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

PARTICULARS	For the year ended March 31, 2019	For the year ended March 31, 2018
Nominal value per share	5.00	5.00
Basic earnings per share	43.87	34.52
Effect of potential equity shares for stock options (per share)	(0.09)	(0.05)
Diluted earnings per share	43.78	34.47

PARTICULARS	For the year ended March 31, 2019	For the year ended March 31, 2018
Weighted average number of equity shares used in computing basic earnings per equity share	21,21,14,217	20,60,33,611
Effect of potential equity shares for stock options outstanding	4,54,657	3,36,351
Weighted average number of equity shares used in computing diluted earnings per equity share	21,25,68,874	20,63,69,962
Weighted average number of anti dilutive options not considered in computing diluted earnings per equity share	-	74

## Note 30 Segment Information

### (a) Description of segments and principal activities

The Company is in the business of providing asset management services to HDFC Mutual Fund and portfolio management & advisory services to clients. The primary segment is identified as asset management services. As such, the Company's financial statements are largely reflective of the asset management business and accordingly there are no separate reportable segments as per Ind AS 108, Operating Segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM's function is to allocate the resources of the entity and assess the performance of the operating segment of the Company.

### (b) Segment Revenue

The amount of its revenue from external customers broken down by location of the customers is shown in the table below:

REVENUE	For the year ended March 31, 2019	For the year ended March 31, 2018
Within India	1,901.95	1,742.68
Outside India	13.23	14.09
<b>Total</b>	<b>1,915.18</b>	<b>1,756.77</b>

₹ (in Crore)

(c) All assets of the Company are domiciled in India.

### (d) Information about revenue from major customers

There is only one customer contributing in excess of 10% of the total revenue of the Company. The amounts for the same are as follows:

PARTICULARS	For the year ended March 31, 2019	For the year ended March 31, 2018
Revenue	1,895.39	1,733.50

₹ (in Crore)

# Notes to financial statements

for the year ended March 31, 2019

## Note 31 Contingent Liabilities and Commitments

PARTICULARS	₹ (in Crore)		
	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	51.91	59.85	41.69
(b) Contingent liabilities not provided for: Disputed Income Tax and Service Tax demand	4.19	0.64	0.27

## Note 32 Trade Payables

Trade Payables 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.

PARTICULARS	₹ (in Crore)		
	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Principal amount remaining unpaid to any supplier as at the year end	Nil	Nil	Nil
Interest due thereon	Nil	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	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	Nil
Amount of interest accrued and remaining unpaid at the end of the accounting year	Nil	Nil	Nil

Dues to Micro, Small and Medium Enterprises have been determined on the basis of information collected by the Company.

## Note 33 Leases

### (a) Operating lease

The Company has entered into non-cancellable leasing arrangements for certain premises. The total lease payments recognised in the Statement of Profit and Loss towards the said leases are as follows:

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2019	For the year ended March 31, 2018
Lease Payments	1.69	1.51
<b>Total</b>	<b>1.69</b>	<b>1.51</b>

# Notes to financial statements

for the year ended March 31, 2019

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

PARTICULARS	₹ (in Crore)	
	As at March 31, 2019	As at March 31, 2018
Not later than one year	1.58	2.31
Later than one year but not later than five years	1.15	1.67
Later than five years	-	-
<b>Total</b>	<b>2.73</b>	<b>3.98</b>

## (b) Finance Lease

The Company has provided vehicles to its employees which have been treated as finance leases. The following is the summary of future minimum lease payments receivables for assets given on finance leases by the Company:

PARTICULARS	₹ (in Crore)	
	As at March 31, 2019	
	Minimum Lease Payments Receivables	Present Value of Minimum Lease Receivables
Not later than one year	1.05	1.04
Later than one year but not later than five years	0.92	0.75
Later than five years	-	-
<b>Total</b>	<b>1.97</b>	<b>1.79</b>
Less: unearned finance income	0.18	
<b>Present value of minimum lease receivables</b>	<b>1.79</b>	<b>1.79</b>

PARTICULARS	₹ (in Crore)	
	As at March 31, 2018	
	Minimum Lease Payments Receivables	Present Value of Minimum Lease Receivables
Not later than one year	1.17	1.17
Later than one year but not later than five years	1.53	1.25
Later than five years	-	-
<b>Total</b>	<b>2.70</b>	<b>2.42</b>
Less: unearned finance income	0.28	
<b>Present value of minimum lease receivables</b>	<b>2.42</b>	<b>2.42</b>

# Notes to financial statements

for the year ended March 31, 2019

PARTICULARS	₹ (in Crore)	
	As at April 01, 2017	
	Minimum Lease Payments Receivables	Present Value of Minimum Lease Receivables
Not later than one year	1.13	1.13
Later than one year but not later than five years	1.87	1.51
Later than five years	-	-
<b>Total</b>	<b>3.00</b>	<b>2.64</b>
Less: unearned finance income	0.36	
<b>Present value of minimum lease receivables</b>	<b>2.64</b>	<b>2.64</b>

## Note 34 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 as follows:

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2019	For the year ended March 31, 2018
Amount to be spent during the year	16.17	13.54

### For the year ended March 31, 2019

PARTICULARS	₹ (in Crore)		
	In Cash	Yet to be paid in cash	Total
Amount spent during the year on construction / acquisition of any asset	-	-	-
Amount spent during the year on purposes other than construction / acquisition of any asset			
(i) Amount charged to the Statement of Profit and Loss	16.98	-	16.98
(ii) Amount utilised from Reserve for social / philanthropic causes & investor centric initiatives	-	-	-
<b>Total</b>	<b>16.98</b>	<b>-</b>	<b>16.98</b>

### For the year ended March 31, 2018

PARTICULARS	₹ (in Crore)		
	In Cash	Yet to be paid in cash	Total
Amount spent during the year on construction / acquisition of any asset	-	-	-
Amount spent during the year on purposes other than construction / acquisition of any asset			
(i) Amount charged to the Statement of Profit and Loss	14.39	-	14.39
(ii) Amount utilised from Reserve for social / philanthropic causes & investor centric initiatives	2.60	-	2.60
<b>Total</b>	<b>16.99</b>	<b>-</b>	<b>16.99</b>

# Notes to financial statements

for the year ended March 31, 2019

## Note 35 Dividend Paid and Proposed

₹ (in Crore)

PARTICULARS	For the year ended March 31, 2019	For the year ended March 31, 2018
<b>Dividends on equity shares declared and paid during the year:</b>		
Final dividend		
Paid for the earlier financial year	-	-
Dividend per share (₹)	-	-
Interim dividend		
Paid for the current financial year	255.09	336.89
Dividend per share (₹)	12.00	16.00
<b>Total dividend paid</b>	<b>255.09</b>	<b>336.89</b>
<b>Dividend on Equity Shares proposed by the Board of Directors for approval at Annual General Meeting (not recognised as a liability at the year end)</b>		
Final dividend for the current financial year	255.09	-
Dividend per share (₹)	12.00	-
Dividend Distribution Tax on final dividend	52.43	-

The Board of Directors of the Company, on March 19, 2018, approved declaration of interim dividend of ₹ 16 per equity share and recommended the same as the final dividend for the year ended March 31, 2018 which was confirmed by the Shareholders of the Company in Annual General Meeting dated April 17, 2018.

## Note 36 Capital Management

Equity share capital and other equity are considered for the purpose of Company's capital management. The Company manages its capital so as to safeguard its ability to continue as a going concern and to optimise returns to the Shareholders. The capital structure of the Company is based on management's judgement of its strategic and day-to-day needs with a focus on total equity so as to maintain investor, creditors and market confidence. The funding requirements are met through equity and operating cash flows generated. The management monitors the return on capital and the board of directors monitors the level of dividends to shareholders of the Company. The Company may take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

# Notes to financial statements

for the year ended March 31, 2019

## Note 37 Financial Instruments

### A. Classification and Fair Values of Financial Assets & Liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

₹ (in Crore)

PARTICULARS	Carrying Amount			Fair Value			
	FVTPL	Amortised Cost	Total Carrying amount	Level 1	Level 2	Level 3	Total
<b>As at March 31, 2019</b>							
<b>Financial Assets</b>							
Investments in:-							
Mutual Funds	2,350.86	-	2,350.86	1,776.05	574.81	-	2,350.86
Debt Securities	5.74	498.75	504.49	-	502.31	5.74	508.05
Equity Instrument in Others	0.26	-	0.26	-	-	0.26	0.26
Preference Shares	-	30.00	30.00	-	32.25	-	32.25
Investment in Alternative Investment Funds	28.03	-	28.03	-	-	28.03	28.03
Investment in Venture Capital Fund	21.32	-	21.32	-	-	21.32	21.32
Trade & Other Receivables*	-	102.86	102.86				102.86
Cash and Cash Equivalents*	-	0.90	0.90				0.90
Other Bank Balances*	-	31.09	31.09				31.09
Other Financial Asset*	-	27.98	27.98				27.98
<b>Total</b>	<b>2,406.21</b>	<b>691.58</b>	<b>3,097.79</b>	<b>1,776.05</b>	<b>1,109.37</b>	<b>55.35</b>	<b>3,103.60</b>
<b>Financial Liabilities</b>							
Trade Payables*	-	47.36	47.36				47.36
Other Financial Liabilities*	-	65.69	65.69				65.69
<b>Total</b>	<b>-</b>	<b>113.05</b>	<b>113.05</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113.05</b>

₹ (in Crore)

PARTICULARS	Carrying Amount			Fair Value			
	FVTPL	Amortised Cost	Total Carrying amount	Level 1	Level 2	Level 3	Total
<b>As at March 31, 2018</b>							
<b>Financial Assets</b>							
Investments in:-							
Mutual Funds	1,431.89	-	1,431.89	1,019.55	412.34	-	1,431.89
Debt Securities	4.99	502.67	507.66	-	507.51	4.99	512.50
Equity Instrument in Others	0.23	-	0.23	-	-	0.23	0.23
Preference Shares	-	70.00	70.00	-	76.89	-	76.89
Investment in Alternative Investment Funds	23.21	-	23.21	-	-	23.21	23.21
Investment in Venture Capital Fund	24.75	-	24.75	-	-	24.75	24.75
Trade & Other Receivables*	-	102.98	102.98				102.98
Cash and Cash Equivalents*	-	1.95	1.95				1.95
Other Bank Balances*	-	0.11	0.11				0.11
Other Financial Asset*	-	22.37	22.37				22.37
<b>Total</b>	<b>1,485.07</b>	<b>700.08</b>	<b>2,185.15</b>	<b>1,019.55</b>	<b>996.74</b>	<b>53.18</b>	<b>2,196.88</b>
<b>Financial Liabilities</b>							
Trade Payables*	-	111.58	111.58				111.58
Other Financial Liabilities*	-	66.65	66.65				66.65
<b>Total</b>	<b>-</b>	<b>178.23</b>	<b>178.23</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>178.23</b>

# Notes to financial statements

for the year ended March 31, 2019

₹ (in Crore)

PARTICULARS	Carrying Amount			Fair Value			Total
	FVTPL	Amortised Cost	Total Carrying amount	Level 1	Level 2	Level 3	
<b>As at April 01, 2017</b>							
<b>Financial Assets</b>							
Investments in:-							
Mutual Funds	1,185.49	-	1,185.49	801.72	383.77	-	1,185.49
Debt Securities	-	42.49	42.49	-	47.67	-	47.67
Equity Instrument in Others	0.05	-	0.05	-	-	0.05	0.05
Preference Shares	-	70.00	70.00	-	70.00	-	70.00
Investment in Alternative Investment Funds	15.77	-	15.77	-	-	15.77	15.77
Investment in Venture Capital Fund	25.39	-	25.39	-	-	25.39	25.39
Trade & Other Receivables*	-	91.66	91.66				91.66
Cash and Cash Equivalents*	-	1.16	1.16				1.16
Other Bank Balances*	-	0.11	0.11				0.11
Other Financial Asset*	-	11.10	11.10				11.10
<b>Total</b>	<b>1,226.70</b>	<b>216.52</b>	<b>1,443.22</b>	<b>801.72</b>	<b>501.44</b>	<b>41.21</b>	<b>1,448.40</b>
<b>Financial Liabilities</b>							
Trade Payables*	-	96.06	96.06				96.06
Other Financial Liabilities*	-	68.07	68.07				68.07
<b>Total</b>	<b>-</b>	<b>164.13</b>	<b>164.13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>164.13</b>

\*Fair value of cash and cash equivalents, bank balances, trade & other receivables, other financial assets, trade payables and other financial liabilities approximate their carrying amounts largely due to current maturities of these instruments. Accordingly, fair value hierarchy for these financial instruments have not been presented above.

For the purpose of disclosure, quoted price is considered as the fair value of financial assets that are measured at amortised cost. However, they are shown under level 2 in the fair value hierarchy as they are thinly traded.

## B. Fair value hierarchy

As per Ind AS 107, 'Financial Instruments: Disclosures', the fair values of the financial assets or financial liabilities are defined as the price that would be received on sale of asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and lowest priority to unobservable inputs.

The hierarchy used is as follows :

**Level 1** — Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2** — Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3** — Inputs are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

# Notes to financial statements

for the year ended March 31, 2019

## C. Valuation techniques used to determine fair value

Financial instrument	Valuation technique
Mutual Funds	Net Asset Value (NAV) declared by the mutual fund at which units are issued or redeemed
Debt Securities	Discounted cash flow based on present value of the expected future economic benefit
Equity Instruments in Others	Discounted cash flow based on present value of the expected future economic benefit
Alternative Investment Funds and Venture Capital Fund	Net Asset Value (NAV) provided by issuer fund which are arrived at based on valuation from independent valuer for unlisted portfolio companies and price of recent investments

In order to assess Level 3 valuations as per Company's investment policy, the management reviews the performance of the investee companies (including unlisted portfolio companies of venture capital funds and alternative investment funds) on a regular basis by tracking their latest available financial statements / financial information, valuation report of independent valuers, recent transaction results etc. which are considered in valuation process.

The finance department of the Company includes the team that performs the valuation of financial assets and liabilities required for financial reporting purposes, including level 3 fair value. The team reports directly to the Chief Financial Officer (CFO) of the Company. Discussions of valuation processes and results are held between the valuation team and the senior management at least once every three months which is in line with the Company's quarterly reporting periods.

## D. Valuation inputs and relationship to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurement.

As at March 31, 2019

Financial Instrument	Significant unobservable inputs	Probability weights / range	Sensitivity of input to fair value measurement
Debt Securities	Long-term revenue growth rates.	7.50%	The carrying value of investment would decrease by ₹ 0.33 Crore if the long-term growth rate was lower by 1%. The carrying value of investment would increase by ₹ 0.39 Crore if the long-term growth rate was higher by 1%.
	The terminal value of growth rate		
Alternative Investment Funds	Weighted Average Cost of Capital (WACC) determined using a capital asset pricing model	18.64%	The carrying value of investment would increase by ₹ 0.60 Crore if the WACC used was lower by 1%. The carrying value of investment would decrease by ₹ 0.51 Crore if the WACC used was higher by 1%.
	Market multiple of performance measures such as earnings or revenue	0.08x	
Alternative Investment Funds	Market multiple of performance measures such as earnings or revenue	1.51x - 4.81x	A 10% increase in the market multiple of unquoted investments would increase the carrying value of investment by ₹ 0.42 Crore. A 10% decrease in the market multiple of unquoted investments would decrease the carrying value of investment by ₹ 0.45 Crore.
	Market multiple of performance measures such as earnings or revenue		
Venture Capital Fund	Market multiple of performance measures such as earnings or revenue	2.0x - 21x	A 10% increase in the market multiple of unquoted investments would increase the carrying value of investment by ₹ 0.29 Crore. A 10% decrease in the market multiple of unquoted investments would decrease the carrying value of investment by ₹ 0.29 Crore.



# Notes to financial statements

for the year ended March 31, 2019

## As at March 31, 2018

Financial Instrument	Significant Unobservable Inputs	Probability Weights / Range	Sensitivity of Input to Fair Value Measurement
Alternative Investment Funds	Market multiple of performance measures such as earnings or revenue	0.08x	A 10% increase in the market multiple of unquoted investments would increase the carrying value of investment by ₹ 0.05 Crore. A 10% decrease in the market multiple of unquoted investments would decrease the carrying value of investment by ₹ 0.05 Crore.
	Market multiple of performance measures such as earnings or revenue	1.42x	A 10% increase in the market multiple of unquoted investments would increase the carrying value of investment by ₹ 0.47 Crore. A 10% decrease in the market multiple of unquoted investments would decrease the carrying value of investment by ₹ 0.48 Crore.
Venture Capital Fund	Market multiple of performance measures such as earnings or revenue	2.0x - 23x	A 10% increase in the market multiple of unquoted investments would increase the carrying value of investment by ₹ 0.31 Crore. A 10% decrease in the market multiple of unquoted investments would decrease the carrying value of investment by ₹ 0.31 Crore.

## E. Fair value measurement using significant unobservable inputs (level 3)

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

PARTICULARS	₹ (in Crore)
<b>Balance as at April 01, 2017</b>	<b>41.21</b>
Net gain / (losses) on Financial Instruments recognised in the Statement of Profit and Loss	4.17
Purchases of Financial Instruments	13.44
Sales of Financial Instruments	(5.64)
<b>Balance as at March 31, 2018</b>	<b>53.18</b>
Net gain / (losses) on Financial Instruments recognised in the Statement of Profit and Loss	(3.66)
Purchases of Financial Instruments	7.13
Sales of Financial Instruments	(1.30)
<b>Balance as at March 31, 2019</b>	<b>55.35</b>

## F. Financial Risk Management

The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The financial risks are managed in accordance with the Company's risk management policy which has been approved by its Board of Directors. The Company's Board of Directors has overall responsibility for managing the risk profile of the Company. The purpose of risk management is to identify potential problems before they occur, so that risk-handling activities may be planned and invoked as needed to manage adverse impacts on achieving objectives.

The Audit Committee of the Company reviews the development and implementation of the risk management policy of the Company on periodic basis. The Audit Committee provides guidance on the risk management activities, review the results of the risk management process and report to the Board of Directors on the status of the risk management initiative.

# Notes to financial statements

for the year ended March 31, 2019

The Company has exposure to the following risks arising from Financial Instruments:

Risk	Exposure arising from
Credit Risk	Cash and cash equivalents, trade & other receivables, financial assets measured at amortised cost
Liquidity Risk	Financial liabilities
Market Risk - Foreign Exchange	Recognised financial assets not denominated in ₹
Market Risk - Interest Rate / Dividend Coupon	Investments in debt securities and preference shares
Market Risk - Price	Investments in equity securities, units of mutual funds, debt securities, venture capital fund and alternative investment funds

## i. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade and other receivables, cash and cash equivalents, and financial assets measured at amortised cost.

Exposure to credit risk is mitigated through regular monitoring of collections, counterparty's creditworthiness and diversification in exposure.

### Exposure to credit risk

The carrying amount of financial assets represents maximum amount of credit exposure. The maximum exposure to credit risk is as per the table below, it being total of carrying amount of cash and cash equivalent, trade and other receivables and financial assets measured at amortised cost.

PARTICULARS	₹ (in Crore)		
	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Maximum exposure to credit risk	691.58	700.08	216.52

### Expected Credit Loss (ECL) on Financial Assets

The Company continuously monitors all financial assets subject to ECLs. In order to determine whether an instrument is subject to 12 month ECL (12mECL) or life time ECL (LTECL), the Company assesses whether there has been a significant increase in credit risk or the asset has become credit impaired since initial recognition. The Company applies following quantitative and qualitative criteria to assess whether there is significant increase in credit risk or the asset has been credit impaired:

- Historical trend of collection from counterparty
- Company's contractual rights with respect to recovery of dues from counterparty
- Credit rating of counterparty and any relevant information available in public domain

ECL is a probability weighted estimate of credit losses. It is measured as the present value of cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with contract / as estimated by the Company and the cash flows that the Company expects to receive).

The Company has three types of financial assets that are subject to the expected credit loss:

- Cash and cash equivalent

# Notes to financial statements

for the year ended March 31, 2019

- Trade & other receivables
- Investment in debt securities and preference shares

## Trade and Other Receivables

Exposures to customers' outstanding at the end of each reporting period are reviewed by the Company to determine incurred and expected credit losses. Historical trends of collection from counterparties on timely basis reflects low level of credit risk. As the Company has a contractual right to such receivables as well as the control over such funds due from customers, the Company does not estimate any credit risk in relation to such receivables. Further, management believes that the unimpaired amounts that are past due by more than 180 days are still collectible in full, based on historical payment behaviour.

## Cash and Cash Equivalents

The Company holds cash and cash equivalents and other bank balances as per note 4 and 5 . The credit worthiness of such banks and financial institutions is evaluated by the management on an ongoing basis and is considered to be high.

## Investment in Debt Securities and Preference Shares

The Company has made investments in tax free bonds and preference shares. Funds are invested after taking into account parameters like safety, liquidity and post tax returns etc. The Company avoids concentration of credit risk by spreading them over several counterparties with good credit rating profile and sound financial position. The Company's exposure and credit ratings of its counterparties are monitored on an ongoing basis.

Investment in debt securities that are in tax free government bonds do not carry any credit risk, being sovereign in nature. Credit risk from other financial assets has not increased significantly since initial recognition. Accordingly, the expected probability of default is low except for investments where credit rating has reduced to non-investment grade exposing significant increase in credit risk since initial recognition.

The following tables show reconciliation from the opening to the closing balance of the loss allowance for financial assets measured at amortised cost.

	₹ (in Crore)
<b>Reconciliation of Loss Allowance Provision</b>	<b>LTECL</b>
Loss allowance as at April 01, 2017	-
Add: Changes in loss allowance	-
Loss allowance as at March 31, 2018	-
Add: Changes in loss allowance *	40.00
<b>Loss allowance as at March 31, 2019</b>	<b>40.00</b>

\* Relates to ECL provision on one of the financial instrument where the Company has assessed a significant increase in credit risk which has subsequently become credit impaired.

## ii. Liquidity Risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Company on acceptable terms.

# Notes to financial statements

for the year ended March 31, 2019

To limit this risk, management has adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a regular basis. The Company has developed internal control processes for managing liquidity risk.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Company assesses the liquidity position under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Company.

## Exposure to Liquidity Risk

The table below analyses the Company's financial liabilities into relevant maturity pattern based on their contractual maturities for all financial liabilities

₹ (in Crore)

AS AT MARCH 31, 2019	Carrying amount	Contractual Cash Flows		
		Total	1 year or less	More than 1 year
<b>Financial Liabilities</b>				
Trade Payables	47.36	47.36	47.36	-
Other Financial Liabilities	65.69	65.69	65.69	-
<b>Total</b>	<b>113.05</b>	<b>113.05</b>	<b>113.05</b>	<b>-</b>

₹ (in Crore)

AS AT MARCH 31, 2018	Carrying amount	Contractual Cash Flows		
		Total	1 year or less	More than 1 year
<b>Financial Liabilities</b>				
Trade Payables	111.58	111.58	111.58	-
Other Financial Liabilities	66.65	66.65	66.65	-
<b>Total</b>	<b>178.23</b>	<b>178.23</b>	<b>178.23</b>	<b>-</b>

₹ (in Crore)

AS AT APRIL 01, 2017	Carrying amount	Contractual Cash Flows		
		Total	1 year or less	More than 1 year
<b>Financial Liabilities</b>				
Trade Payables	96.06	96.06	96.06	-
Other Financial Liabilities	68.07	68.07	68.07	-
<b>Total</b>	<b>164.13</b>	<b>164.13</b>	<b>164.13</b>	<b>-</b>

# Notes to financial statements

for the year ended March 31, 2019

### iii. Market Risk

Market risk is the risk of loss of future earnings, fair values or future cash flows related to financial instrument that may result from adverse changes in market rates and prices (such as foreign exchange rates, interest rates, other prices). The Company is exposed to market risk primarily related to currency risk, interest rate risk and price risk.

#### Currency Risk

The Company has insignificant amount of foreign currency denominated assets and liabilities. Accordingly, there is no significant exposure to currency risk.

#### Interest Rate Risk

The Company's investments are primarily in fixed rate interest / dividend bearing instruments. Accordingly, there is no significant exposure to interest rate risk.

#### Price Risk

Price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices and related market variables including interest rate for investments in debt oriented mutual funds and debt securities, whether caused by factors specific to an individual investment, its issuer and market. The Company's exposure to price risk arises from investments in equity securities, debt securities, units of mutual funds, venture capital fund and alternative investment funds which are classified as financial assets at Fair Value Through Profit and Loss and amounts to as follows:

PARTICULARS	₹ (in Crore)		
	As at March 31, 2019	As at March 31, 2018	As at April 01, 2017
Exposure to price risk	2,406.21	1,485.07	1,226.70

To manage its price risk from investments in equity securities, debt securities, units of mutual funds, venture capital fund and alternative investment funds, the Company diversifies its portfolio.

#### Sensitivity Analysis

The table below sets out the effect on profit or loss and equity due to reasonable possible weakening / strengthening in prices of 5% :

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2019	For the year ended March 31, 2018
<b>Effect on Profit and Loss</b>		
5% increase in the prices	120.31	74.25
5% decrease in the prices	(120.31)	(74.25)

# Notes to financial statements

for the year ended March 31, 2019

## Note 38 Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

PARTICULARS	As at March 31, 2019		As at March 31, 2018		As at April 01, 2017	
	Within 12 months	After 12 months	Within 12 months	After 12 months	Within 12 months	After 12 months
<b>ASSETS</b>						
<b>Financial Assets</b>						
Cash and Cash Equivalents	0.90	-	0.90	-	1.95	-
Bank Balance other than above	31.09	-	31.09	-	0.11	-
<b>Receivables</b>						
(i) Trade Receivables	82.66	-	82.66	-	90.27	-
(ii) Other Receivables	19.45	0.75	20.20	1.25	11.46	1.51
Investments	728.65	2,206.31	2,934.96	1,968.99	88.75	1,264.15
Other Financial Assets	15.46	12.52	27.98	10.28	12.09	9.25
<b>Sub-total - Financial Assets</b>	<b>878.21</b>	<b>2,219.58</b>	<b>3,097.79</b>	<b>1,980.52</b>	<b>204.63</b>	<b>1,274.91</b>
<b>Non-Financial Assets</b>						
Current Tax Assets (net)	-	35.16	35.16	32.13	-	32.90
Deferred Tax Assets (net)	-	-	-	-	-	1.47
Property, Plant and Equipment	-	25.63	25.63	21.88	-	19.63
Intangible Assets Under Development	-	3.17	3.17	5.96	-	-
Goodwill	-	6.04	6.04	6.04	-	6.04
Other Intangible Assets	-	8.03	8.03	3.01	-	2.52
Other Non-Financial Assets	34.25	13.68	47.93	21.85	196.12	28.54
<b>Sub-total - Non-Financial Assets</b>	<b>34.25</b>	<b>91.71</b>	<b>125.96</b>	<b>90.87</b>	<b>196.12</b>	<b>91.10</b>
<b>Total Assets</b>	<b>912.46</b>	<b>2,311.29</b>	<b>3,223.75</b>	<b>2,071.39</b>	<b>400.75</b>	<b>1,366.01</b>
<b>LIABILITIES</b>						
<b>Financial Liabilities</b>						
<b>Payables</b>						
<b>Trade payables</b>						
(i) Total Outstanding Dues of Micro Enterprises and Small Enterprises	-	-	-	-	-	-
(ii) Total Outstanding Dues of Creditors other than Micro Enterprises and Small Enterprises	47.36	-	47.36	-	111.58	96.06
<b>Other Financial Liabilities</b>	65.69	-	65.69	-	66.65	68.07
<b>Sub total - Financial Liabilities</b>	<b>113.05</b>	<b>-</b>	<b>113.05</b>	<b>-</b>	<b>178.23</b>	<b>164.13</b>
<b>Non-Financial Liabilities</b>						
Current Tax Liabilities (net)	1.77	-	1.77	-	3.35	-
Provisions	0.12	0.89	1.01	0.78	0.11	0.80
Deferred Tax Liabilities (net)	-	2.84	2.84	4.22	-	-
Other Non-Financial Liabilities	34.36	-	34.36	-	31.54	11.62
<b>Sub-total - Non-Financial Liabilities</b>	<b>36.25</b>	<b>3.73</b>	<b>39.98</b>	<b>5.00</b>	<b>35.00</b>	<b>0.80</b>
<b>Total Liabilities</b>	<b>149.30</b>	<b>3.73</b>	<b>153.03</b>	<b>5.00</b>	<b>213.23</b>	<b>0.80</b>

# Notes to financial statements

for the year ended March 31, 2019

## Note 39 First-time Adoption of Ind AS

These financial statements, for the year ended March 31, 2019, are the first financial statements which the Company has prepared in accordance with Ind AS. For periods up to and including the year ended March 31, 2018, the Company has prepared its financial statements in accordance with Previous GAAP.

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for years ended on March 31, 2019, together with the comparative period data as at and for the year ended March 31, 2018, as described in the significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at April 01, 2017, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Previous GAAP financial statements, including the Balance Sheet as at April 01, 2017 and the financial statements as at and for the year ended March 31, 2018.

### Optional exemptions availed and mandatory exceptions

In preparing these Ind AS financial statements, the Company has availed certain exemptions and exceptions in accordance with Ind AS 101, as explained below. The resulting difference between the carrying values of the assets and liabilities in the financial statements as at the transition date under Ind AS and Previous GAAP is recognised directly in equity (retained earnings or another appropriate category of equity).

#### A. Exemptions and exceptions availed

##### A.1 Ind AS mandatory exceptions

###### A.1.1 Estimates

On assessment of the estimates made under the Previous GAAP financial statements, the Company has concluded that there is no necessity to revise the estimates under Ind AS. However, estimates that were required under Ind AS but not required under Previous GAAP are made by the Company for the relevant reporting dates reflecting conditions existing as at that date.

###### A.1.2 Classification and measurement of financial assets

The Company has determined the classification and measurement of financial assets based on facts and circumstances that existed on the date of transition.

##### A.2 Ind AS optional exemptions

###### A.2.1 Deemed cost - Property Plant and Equipment and Other Intangible Assets

The Company has elected to continue with the carrying value for all of its Property, Plant and Equipment and Other Intangible Assets as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition.

###### A.2.2 Business combinations

The Company has opted to apply Ind AS 103 'Business Combinations', prospectively to business combinations occurring after the transition date. Business combinations occurring prior to the transition date have not been restated. As at the date of transition, the carrying amount of Goodwill under the Previous GAAP has been considered as its carrying amount under Ind AS.

###### A.2.3 Share based payment

The Company has elected to apply Ind AS 102 Share-based payment to ESOS that were invested on the date of transition to Ind AS.

#### B. Reconciliations between Previous GAAP and Ind AS

For the purposes of reporting as set out in note 2, the Company has transitioned its basis of accounting from Previous GAAP to Ind AS. The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended March 31, 2019, the comparative information presented in these financial statements for the year ended March 31, 2018 and in the preparation of an opening Ind AS balance sheet at April 01, 2017 (the 'transition date').

# Notes to financial statements

for the year ended March 31, 2019

In preparing the opening Ind AS balance sheet, amounts reported in financial statements prepared in accordance with Previous GAAP have been adjusted. An explanation of how the transition from Previous GAAP to Ind AS has affected the financial performance and financial position is set out in the following tables and the notes that accompany the tables.

## I. Reconciliation of Total Equity

₹ (in Crore)			
	Note No.	As at March 31, 2018	As at April 01, 2017
<b>Total equity (Shareholders' Funds ) under Previous GAAP</b>		2,159.97	1,422.94
<b>Summary of Ind AS adjustments</b>			
Fair value change in investments & measurement of Investments at amortised cost	(i)	107.17	102.53
Others	(iv)	0.72	(0.12)
Deferred tax impact relating to above adjustments	(v)	(13.95)	(7.88)
<b>Total Ind AS adjustments</b>		<b>93.94</b>	<b>94.53</b>
<b>Equity reported under Ind AS</b>		<b>2,253.91</b>	<b>1,517.47</b>

## II. Reconciliation of Net Profit under Previous GAAP to Total Comprehensive Income under Ind AS

₹ (in Crore)			
	Note No.	As at March 31, 2018	
<b>Net Profit as per Previous GAAP</b>			<b>721.62</b>
<b>Summary of Ind AS adjustments (net of tax)</b>			
Fair value change in Investments & measurement of Investments at amortised cost	(i)		(1.42)
Fair valuation of employee stock options	(ii)		(9.69)
Actuarial (gain) / loss on employee defined benefit plan recognised in 'Other Comprehensive Income'	(iii)		(0.05)
Others	(iv)		0.83
<b>Total effect of transition to Ind AS</b>			<b>(10.33)</b>
<b>Net profit for the year as per Ind AS</b>			<b>711.29</b>
Other Comprehensive Income for the year	(iii)		0.05
<b>Total Comprehensive Income under Ind AS</b>			<b>711.34</b>

## III. Cash Flow reconciliation :

There is no significant impact on cash flow from operating, investing and financing activities for the year ended March 31, 2018 on transition to Ind AS.

### Notes to reconciliation

#### (i) Investments

Under the Previous GAAP, current investments were valued at the lower of cost or market value. Long-term investments were stated at cost of acquisition or at amortised cost, if acquired at a premium over face value. Premium over face value was amortised over the remaining period to maturity on a straight-line basis. Provision for diminution was recognised for a decline, if any, which was other than temporary in the value of Long Term investments.

#### a) Investments in units of Mutual Funds, Alternative Investment Funds and Venture Capital Fund

Under Ind AS, Investments in units of Mutual Funds, Alternative Investment Funds and Venture Capital Fund are measured at FVTPL as they do not meet the SPPI criterion (solely payments of principal and interest).

#### b) Investments in Tax Free Bonds and Cumulative Redeemable Preference Shares

The Company has investment in Tax Free Bonds and Cumulative Redeemable Preference Shares. Since the contractual cash flows meet SPPI criterion, they are measured at amortised cost.



# Notes to financial statements

for the year ended March 31, 2019

## c) *Investments in Equity Shares*

Under Ind AS, investments in equity instruments other than subsidiaries are to be measured at FVTPL.

## d) *Investments in compulsorily convertible debentures*

The Company has invested in 0.0001% Compulsorily Convertible debenture (CCD) of another company. The shares are convertible into equity shares at the option of the investor at any time during the 10 year from the date of their issuance. Under Ind AS, the CCD are measured at FVTPL as they are convertible and do not meet the SPPI criterion.

The resulting fair value changes and effect of amortisation of these respective investments have been recognised in retained earnings as at the date of transition April 01, 2017 and subsequently in the Statement of Profit and Loss for the year ended March 31, 2018.

## (ii) *Share-based payments*

Under Previous GAAP, the Company followed intrinsic value method for accounting compensation expense of employee stock options. Under Ind AS, in case of equity settled share based payment transactions with employees, the fair value as on the grant date should be estimated and recognised as an expense over the vesting period. The Company has followed fair value method only for unvested equity options as on the transition date.

The resulting employee compensation cost has been recognised in retained earnings as at the date of transition April 01, 2017 and subsequently in the Statement of Profit and Loss for the year ended March 31, 2018.

## (iii) *Actuarial gain and loss*

Under the Previous GAAP, the actuarial gains and losses arising on defined benefit plan were forming part of the Statement of Profit and Loss for the year. Under Ind AS, remeasurement i.e. actuarial gains and losses are recognised in Other Comprehensive Income (net of tax). The concept of Other Comprehensive Income did not exist under Previous GAAP.

## (iv) *Other Items*

Others include adjustments with respect to reversal of amortisation of goodwill from the transition date till March 31, 2018 under Previous GAAP as the same has to be tested for impairment, discounting of interest free deposits etc.

## (v) *Deferred tax*

Previous GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the year. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

In addition, the various transitional adjustments lead to temporary differences. According to the accounting policies, the Company has to account for such differences.

## Note 40

The Previous GAAP figures have been reclassified to conform to Ind AS presentation requirements.

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 26, 2019

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)



# CORPORATE INFORMATION

## **STATUTORY AUDITORS**

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Apollo Mills Compound,  
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## **REGISTERED OFFICE**

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Tel.: 022 – 66316333 Fax: 022 – 66580203

## **CORPORATE IDENTIFICATION NUMBER**

CIN: L65991MH1999PLC123027

## **REGISTRAR AND SHARE TRANSFER AGENT (RTA)**

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