

## Board of Directors

Mr. Deepak S. Parekh  
**Chairman**

### Directors

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

Mr. Milind Barve  
**Managing Director**

### Auditors

Haribhakti & Co.  
Chartered Accountants

### Bankers

HDFC Bank Ltd.

### Registered Office

Ramon House,  
H. T. Parekh Marg,  
169, Backbay Reclamation,  
Churchgate,  
Mumbai 400 020.  
Tel. No. : 022-6631 6333  
Fax No. : 022-2204 4304

## Directors' Report

TO THE MEMBERS

Your directors have the pleasure in presenting the Twelfth Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2011.

### Financial Results

	For the year ended March 31, 2011 (₹ in crores)	For the year ended March 31, 2010 (₹ in crores)
Profit before Tax	355.78	316.29
Provision for Tax (Net Deferred Tax)	113.60	107.93
Provision for Fringe Benefit Tax	—	—
Profit after Tax	242.18	208.36
Balance brought forward from previous year	281.33	158.57
Profit available for appropriation	523.51	366.93
Short provision of Income Tax for earlier years (net)	0.07	—
General Reserve	24.23	20.84
Capital Redemption Reserve	0.49	—
Buy-back of Equity Shares	9.45	—
Interim Equity Dividend Paid	72.99	55.35
Tax on Interim Equity Dividend Paid	12.12	9.41
Proposed Equity Dividend	—	—
Tax on Proposed Equity Dividend	—	—
Balance carried to Balance Sheet	<u>404.16</u>	<u>281.33</u>

For the year ended March 31, 2011, the Company posted a net profit of ₹ 242.18 crores as against ₹ 208.36 crores in the previous year. Appropriations from the net profit have been effected as per the table given above.

### Dividend

Your directors paid interim dividend of ₹ 29/- per equity share in the month of March 2011 and the same is confirmed as Final Dividend for the financial year ended March 31, 2011.

### Allotment of equity shares

During the financial year ended March 31, 2011, the Company allotted 5,00,850 equity shares having a face value of

₹10/- each pursuant to the Employee Stock Options Schemes of the Company.

### Buy Back of equity shares

During the financial year, the shareholders of the Company at their meetings held on October 18, 2010 and January 14, 2011 approved the buy back of equity shares of the Company from the shareholders of the Company through Tender offer. Both the buy-back offers were completed within the time limits as prescribed under the Companies Act, 1956 and 4,92,850 equity shares of the Company were bought by the Company under both the buy-back offers. The present paid up capital post both the buy-back offers is ₹ 2,51,690,000/-.

## Review of Operations

Your Directors are pleased to report that: –

The Average Asset under Management (AAuM) during the financial year 2010-11 was ₹ 89,482.52 crore as against AAuM of ₹ 88,053.79 crore in financial year 2009-2010, which is an increase of 1.62% over previous financial year. This compares favourably with that of the industry which fell by 2.80% over the corresponding period. Notably, the closing Assets under Management (AuM) of equity, balanced and ELSS schemes grew by 30.06% as against industry degrowth of 0.74%. HDFC Mutual Fund (HDFCMF) continues to retain its position as 2<sup>nd</sup> largest mutual fund in India and its overall market share has improved from 12.17% as on March 31, 2010 to 12.72% as on March 31, 2011. During the year, we continued our thrust on promoting retail business especially Systematic Investment Plan (SIP), which grew by over 90% (in terms of both value & count). Now, over one million customers invest in our schemes through SIP. Our focus on opening new branches to penetrate the market has resulted into an increase in retail share of our business to – 66% as on March 31, 2011 as against – 53% as on March 31, 2010. During the year, the AuM of HDFC Top 200 Fund and HDFCMF Monthly Income Plan – Long Term Plan crossed ₹ 10,000 crore, which is a significant milestone.

During the year, the total number of accounts managed by HDFCMF rose by around 19% to 46.55 lac as at March 31, 2011 from 39.02 lac as at March 31, 2010. The number of Investor Service Centres (ISCs) of the AMC as on March 31, 2011 was at 115. ISCs of Computer Age Management Services Pvt. Ltd. (CAMS), the Registrar and Transfer Agent of HDFCMF are Official Points of Acceptance for transactions of HDFCMF Schemes. These offices (229 as on March 31, 2011 as against 206 on March 31,

2010) supplement the investor-servicing network of your company. With these offices, your company services investors in over 200 cities pan India.

During the financial year, the Company provided investment management / advisory services under Portfolio Management Services. Discretionary Portfolio Management services are provided to High Networth Individuals and Corporate(s) on a segregated basis while advisory services are provided to Institutional Investors and Corporate(s).

## New Scheme launched under HDFC Mutual Fund

Your Company to commemorate its 10th anniversary year launched HDFC Debt Fund for Cancer Cure (HDFCC), a 3 year close ended capital protection oriented income scheme in association with Indian Cancer Society, a Public Charitable Trust and India's oldest anti-cancer NGO established in 1951, to fight cancer. HDFCC was structured to provide an opportunity to the investors to support this cause through donation of dividends, fully or partly, earned on their investments. In support of this social objective, your Company shall not levy any investment and advisory fees to manage HDFCC. This unique initiative was well received and the New Fund Offer (NFO) collected over ₹ 75 crore.

## Awards

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

### 1) ICRA Mutual Fund Awards 2011#

❖ HDFC Mutual Fund was awarded as the 'Star Fund House of the Year' in the 'Equity' Category (from amongst 13 fund houses) for the one year period ending December 31, 2010.

### 2) CNBC TV18 - CRISIL Mutual Fund Awards 2011#

❖ HDFC Mutual Fund won the "Debt Mutual Fund House of the Year" Award for the calendar year ended December 31, 2010 (from amongst 41 fund houses).

❖ HDFC Mutual Fund won the "Equity Mutual Fund House of the Year" Award for the calendar year ended December 31, 2010 (from amongst 41 fund houses).

❖ HDFC Mutual Fund won the "Mutual Fund House of the Year" Award for the calendar year ended December 31, 2010 (from amongst 41 fund houses).

### 3) Morningstar India Fund Awards 2011#

❖ HDFC Asset Management Company Limited won the "Best Equity Fund House" by Morningstar India. The award recognizes sustained outperformance over three years, based on the Morningstar Risk-Adjusted Return across its equity fund line-ups for the period ending December 31, 2010.

❖ HDFC Asset Management Company Limited won the "Best Multi-Asset Fund House" by Morningstar India. The award recognizes sustained outperformance over three years, based on the Morningstar Risk-Adjusted Return across its equity, debt and allocation fund line-ups for the period ending December 31, 2010. 16 fund houses were considered for this award.

### 4) Bloomberg UTV Financial Leadership Awards 2011#

❖ HDFC Mutual Fund won the Best Mutual Fund - Equity of the Year. All Mutual Funds operating in the country were evaluated and 6 fund houses including HDFC Mutual Fund were shortlisted to make presentations to the jury based on the performance of their schemes.

**5) Business World - Value Research Survey Disclaimer#**

❖ The Company was awarded the Best Asset Management Company. The AMC's were ranked based on funds rated either 4-star or 5-star by Value Research as a percentage of the total number of rated funds.

During the year under review, the following schemes of HDFC Mutual Fund also received awards:

**1) ICRA Mutual Fund Awards 2011 - HDFC Mutual Fund#**

❖ HDFC Prudence Fund - Ranked as "Seven Star Fund" has been awarded Gold Award for 'Best Performance' in the category of Open Ended Balanced for one year period ending December 31, 2010 (from amongst 28 schemes).

❖ HDFC Capital Builder Fund - Ranked as "Seven Star Fund" has been awarded Gold Award for 'Best Performance' in the category of Open Ended Diversified Equity - Aggressive for one year period ending December 31, 2010 (from amongst 83 schemes).

❖ HDFC Equity Fund - Ranked as "Seven Star Fund" has been awarded Gold Award for 'Best Performance' in the category of Open Ended Diversified Equity - Defensive for one year period ending December 31, 2010 (from amongst 118 schemes).

❖ HDFC TaxSaver - Ranked as "Seven Star Fund" has been awarded Gold Award for 'Best Performance' in the category of Open Ended Equity Linked Savings Schemes (ELSS) for one year period ending December 31, 2010 (from amongst 34 schemes).

❖ HDFC MF Monthly Income Plan - Long Term Plan - Ranked as "Seven Star Fund" has been awarded Gold Award for 'Best Performance' in the category of Open Ended Marginal Equity for one year

period ending December 31, 2010 (from amongst 46 schemes).

❖ HDFC Prudence Fund - Ranked as "Seven Star Fund" has been awarded Gold Award for 'Best Performance' in the category of Open Ended Balanced for three year period ending December 31, 2010 (from amongst 27 schemes).

❖ HDFC Short Term Plan - Ranked as "Seven Star Fund" has been awarded Gold Award for 'Best Performance' in the category of Open Ended Debt - Short Term for three year period ending December 31, 2010 (from amongst 18 schemes).

❖ HDFC Equity Fund - Ranked as "Seven Star Fund" has been awarded Gold Award for 'Best Performance' in the category of Open Ended Diversified Equity - Defensive for three year period ending December 31, 2010 (from amongst 95 schemes).

❖ HDFC Children's Gift Fund - Investment Plan - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Balanced for one year period ending December 31, 2010 (from amongst 28 schemes).

❖ HDFC Balanced Fund - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Balanced for one year period ending December 31, 2010 (from amongst 28 schemes).

❖ HDFC Growth Fund - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Diversified Equity - Defensive for one year period ending December 31, 2010 (from amongst 118 schemes).

❖ HDFC Long Term Advantage Fund - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Equity Linked Savings Schemes (ELSS) for one year

period ending December 31, 2010 (from amongst 34 schemes).

❖ HDFC Cash Management Fund - Treasury Advantage Plan - Retail Option - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Liquid for one year period ending December 31, 2010 (from amongst 54 schemes).

❖ HDFC Children's Gift Fund - Savings Plan - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Marginal Equity for one year period ending December 31, 2010 (from amongst 46 schemes).

❖ HDFC Multiple Yield Fund - Plan 2005 - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Marginal Equity for one year period ending December 31, 2010 (from amongst 46 schemes).

❖ HDFC Balanced Fund - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Balanced for three year period ending December 31, 2010 (from amongst 27 schemes).

❖ HDFC Multiple Yield Fund - Plan 2005 - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Marginal Equity for three year period ending December 31, 2010 (from amongst 45 schemes).

❖ HDFC TaxSaver - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Equity Linked Savings Schemes (ELSS) for three year period ending December 31, 2010 (from amongst 23 schemes).

**2) CNBC TV18 - CRISIL Mutual Fund Awards 2011#**

❖ Equity Fund Manager of the Year - Mr. Prashant Jain won the "Equity Fund

Manager of the Year” Award at the CNBC TV18 - CRISIL Mutual Fund Awards 2011 for the calendar year 2010 (from amongst 17 fund managers).

❖ HDFC Prudence Fund won the “Best Performing Mutual Fund of the Year - Balanced Fund” Award for the calendar year 2010 (from amongst 18 schemes) at the CNBC TV18 - CRISIL Mutual Fund Awards 2011.

❖ HDFC MF Monthly Income Plan - Long Term Plan won the “Best Performing Mutual Fund of the Year - Monthly Income Plans” Award for the calendar year 2010 (from amongst 30 schemes).

❖ HDFC Cash Management Fund - Treasury Advantage Plan won the “Best Performing Mutual Fund of the Year - Ultra Short Term Funds - Retail” Award for the calendar year 2010 (from amongst 31 schemes).

❖ HDFC Cash Management Fund - Savings Plan won the “Best Performing Mutual Fund of the Year - Liquid Funds - Retail” Award during the calendar year 2010 (from amongst 19 schemes).

### 3) Morningstar India Fund Awards 2011#

❖ HDFC Balanced Fund - Growth won the “Best Moderate Allocation Fund” by Morningstar India for its one and three-year performance ending December 31, 2010.

❖ HDFC Multiple Yield Fund – Plan 2005 – Growth won the “Best Conservative Allocation Fund” by Morningstar India for its one and three-year performance ending December 31, 2010.

# Please refer [www.hdfcfund.com](http://www.hdfcfund.com) for further information on the Ranking Methodology/Disclaimers, etc for the above mentioned Awards.

### Review of the subsidiary company

#### HDFC ASSET MANAGEMENT COMPANY (SINGAPORE) PTE. LTD.

The AMC has incorporated a wholly owned subsidiary Company in Singapore on April 10, 2008 for providing fund management and advisory services to financial institutions like pension funds, insurance companies, sovereign wealth funds, venture capital funds, etc. The Company had made an application to the Monetary Authority of India (MAS) for Capital Markets Services License for providing full fund management and advisory services. The approval is awaited from MAS and pursuant to receipt of the same, the subsidiary Company shall commence its business.

#### Directors

In accordance with the Companies Act, 1956 and the Articles of Association of the Company, Mr. Keki Mistry, Mr. Vijay Merchant, and Mr. Norman Keith Skeoch, Directors, retire by rotation at the ensuing Annual General Meeting. They are eligible for re-appointment.

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

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

#### Board Meetings

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

Eight Board meetings were held during the financial year under review – on April 26, 2010, June 30, 2010, July 15, 2010, September 21, 2010, October 18, 2010, December 14, 2010, January 14, 2011 and March 25, 2011.

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

Directors	Number of Board Meetings Attended
(i) Mr. Deepak S. Parekh (Chairman)	8
(ii) Mr. Norman Keith Skeoch	2
(iii) Mr. James Aird	6
(iv) Mr. Humayun Dhanrajgir	6
(v) Mr. Hoshang Billimoria	7
(vi) Mr. P. M. Thampi	8
(vii) Dr. Deepak B. Phatak	5
(viii) Ms. Renu Sud Karnad	7
(ix) Mr. Rajeshwar R. Bajaj	8
(x) Mr. Keki Mistry	8
(xi) Mr. Vijay Merchant	8
(xii) Mr. Milind Barve (Managing Director)	8

#### Board Committees

To enable better and more focused attention on the affairs of the Company, the Board has constituted Committees of the Board such as Audit Committee, Remuneration Committee, Risk Management Committee and Customer Services Committee to which specific matters have been delegated from time to time. These Committees prepare the groundwork for decision-making and report at the subsequent Board meeting.

#### Audit Committee

The members of the Audit Committee are Mr. Hoshang Billimoria (Chairman), Mr. P. M. Thampi, Mr. Keki Mistry, Mr. Humayun Dhanrajgir and Mr. James Aird. The Audit Committee has been constituted and functions in accordance with the provisions of Section 292A of

the Companies Act, 1956. The Company Secretary acts as the secretary to the Committee. The Committee met 6 times during the financial year under review. The Audit Committee met prior to the finalization of the accounts for the year ended March 31, 2011.

#### Public Deposits

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

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

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

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

- Foreign exchange (earnings): ₹ 1,23,36,183 (previous year: ₹ 3,17,83,259).

- Foreign exchange (expenditure): ₹ 30,61,42,954 (previous year: ₹ 23,11,25,825) (including Equity Dividend).

#### Particulars of Employees

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are

set out in the annexure to the Directors' Report.

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

#### Auditors

M/s. Haribhakti & Co., Chartered Accountants, Statutory Auditors of your Company holds office until the conclusion of the ensuing Annual General Meeting and is eligible for re-appointment. The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

#### Directors' Responsibility Statement

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

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

(ii) Accounting policies selected were applied consistently. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of March 31, 2011 and of the profit of the Company for year ended on that date.

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

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

#### Acknowledgements

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

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

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

On behalf of the Board of Directors

MUMBAI  
April 28, 2011

DEEPAK S. PAREKH  
Chairman

## Auditors' Report

TO THE MEMBERS OF HDFC ASSET MANAGEMENT COMPANY LIMITED

We have audited the attached Balance Sheet of HDFC ASSET MANAGEMENT COMPANY LIMITED as at March 31, 2011, the related Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

(I) As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956,

on the basis of such checks of the books and records as we considered appropriate and the information and explanations given to us during the course of the audit, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent they are applicable to the Company.

(II) Further to our comments in the Annexure referred to in paragraph I above, we report as under:

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

(b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;

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

(d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of the Section 211 of the Companies Act, 1956 to the extent they are applicable to the Company;

(e) On the basis of the written representations received from the directors of the Company as on March 31, 2011 and taken on record by the

Board of Directors of the Company, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

(f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, the Profit and Loss Account and Cash Flow Statement read together with Notes thereon give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in so far it relates to the Balance Sheet, of the state of affairs of the Company as at March 31, 2011,

(ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date and

(iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

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

RAKESH RATHI  
Partner

MUMBAI  
April 28, 2011

Membership No: 45228

## Annexure to the Auditors' Report

ANNEXURE REFERRED TO IN PARAGRAPH I OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF HDFC ASSET MANAGEMENT COMPANY LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
2. The Company has physically verified the fixed assets in accordance with a programme of verification, which in our opinion provides for physical verification of all fixed assets at reasonable intervals. It was explained to us that there were no material discrepancies noticed on physical verification.
3. During the year, the Company has not disposed off a major part of the fixed assets.
4. As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
5. As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
6. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regards to purchase of fixed assets and sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
7. According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register maintained under Section 301 have been so entered.
8. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
9. The Company has not accepted any deposits from the public.
10. In our opinion, the Company has an adequate internal audit system commensurate with the size of the Company and nature of its business.
11. We are informed that no cost records are required to be maintained by the Company under Section 209(1)(d) of the Companies Act, 1956.
12. According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, wealth tax, service tax and any other statutory dues applicable to it.
13. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax and service tax were outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.
14. According to the information and explanations given to us by the Company, there is a disputed amount payable in

## Annexure to the Auditors' Report (Continued)

respect of income tax as at March 31, 2011. The details of disputed dues is as under:

Name of the Statute	Nature of the Dues	Amount ₹	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961.	Income Tax	7,27,035/-	A.Y. 2006-2007	The Company has filed an appeal against Additional CIT with the Commissioner of Income Tax (Appeals).
Income Tax Act, 1961.	Income Tax	43,63,990/-	A.Y. 2008-2009	The Company has filed an appeal against Additional CIT with the Commissioner of Income Tax (Appeals).

15. The Company has neither accumulated losses as at March 31, 2011 nor has it incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.

16. The Company has not taken any loan from Financial Institution, Bank and the Company has not issued any Debentures.

17. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

18. The Company has not dealt or traded in shares, securities, debentures and other investments during the year.

19. The Company has not given any guarantee for loans taken by others from Bank or Financial Institutions.

20. During the year, the Company has not taken any term loans.

21. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the Company has not used funds raised on short-term basis for long-term investment.

22. The Company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.

23. The Company has not issued any Debentures during the year.

24. The Company has not raised any money by public issue during the year.

25. No fraud on or by the Company has been noticed or reported during the year which involves misstatement in financial reporting, however attention is invited to note 13 of Schedule 17 of the financial statements explaining a matter of front running.

26. The clause (ii) and (xiii) of para 4 are not reported upon as these are not applicable to the Company.

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

RAKESH RATHI  
Partner  
Membership No: 45228  
MUMBAI  
April 28, 2011



**Balance Sheet as at March 31, 2011**

	Schedule	Rupees	Rupees	March 31, 2010 Rupees
<b>FUNDS EMPLOYED</b>				
<b>SHAREHOLDER'S FUNDS</b>				
Share Capital	1		25,16,90,000	25,16,10,000
Employee Stock Options Outstanding			10,85,08,985	14,06,76,946
Reserves and Surplus	2		478,86,63,434	394,87,11,032
<b>TOTAL</b>			<u>514,88,62,419</u>	<u>434,09,97,978</u>
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
Gross Block	3	138,92,23,422		128,00,16,900
Less: Depreciation		99,66,03,944		83,26,22,596
Net Block		39,26,19,478		44,73,94,304
Capital Advances		8,23,472		2,27,67,120
			39,34,42,950	47,01,61,424
INVESTMENTS	4		425,61,05,033	315,07,95,619
DEFERRED TAX ASSET (Net) (see note 9)	5		13,28,16,451	18,48,06,201
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Sundry Debtors	6	14,88,83,871		14,05,60,697
Cash and Bank Balances	7	1,98,70,917		1,73,89,988
Other Current Assets	8	15,628		9,74,629
Loans and Advances	9	563,57,12,154		506,16,79,629
		580,44,82,570		522,06,04,943
Less:				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
Current Liabilities	10	96,58,95,012		111,69,98,034
Provisions	11	447,20,89,573		356,83,72,175
		543,79,84,585		468,53,70,209
NET CURRENT ASSETS			36,64,97,985	53,52,34,734
<b>TOTAL</b>			<u>514,88,62,419</u>	<u>434,09,97,978</u>
Significant Accounting Policies and Notes to Accounts	17			

As per our report attached  
**For Haribhakti & Co.**  
Chartered Accountants  
Firm Registration No. 103523W

**Rakesh Rathi**  
Partner

MUMBAI, April 28, 2011

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

**Milind Barve**  
Managing Director

**Rahul Bhandari**  
Chief Financial Officer

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

**Sylvia Furtado**  
Company Secretary

## Profit & Loss Account for the year ended March 31, 2011

	Schedule	Rupees	Previous Year Rupees
<b>INCOME</b>			
Management Fee	12	644,95,23,176	556,88,72,844
Interest	13	3,43,29,804	36,85,93,370
Dividend		18,77,61,727	8,67,65,739
Utilisation / Reversal of Provision for Contingencies		6,10,46,545	–
Other Income	14	7,50,03,709	22,52,56,738
<b>Total</b>		<u>680,76,64,961</u>	<u>624,94,88,691</u>
<b>EXPENDITURE</b>			
Staff Expenses	15	85,88,31,920	88,05,73,559
Administrative and Other Expenses	16	221,52,20,179	142,34,60,471
Interest		–	10,41,05,206
Depreciation	3	17,57,77,923	37,83,90,991
Provision for Contingencies		–	30,00,00,000
<b>Total</b>		<u>324,98,30,022</u>	<u>308,65,30,227</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<u>355,78,34,939</u>	316,29,58,464
Less: Provision for Tax (Net of Deferred Tax) (see note 9)		113,60,43,135	107,92,76,938
<b>PROFIT/(LOSS) AFTER TAX</b>		<u>242,17,91,804</u>	208,36,81,526
Balance brought forward from Previous Year		<u>281,32,46,977</u>	158,55,50,067
<b>Profit Available for Appropriation</b>		<u>523,50,38,781</u>	<u>366,92,31,593</u>
Appropriations:			
Short Provision of Income Tax for Earlier Years		7,13,070	–
General Reserve		24,21,79,180	20,83,68,153
Capital Redemption Reserve		49,28,500	–
Buy Back of Equity Shares (see note 11)		9,45,33,845	–
Interim Equity Dividend Paid		72,99,01,000	55,35,42,000
Tax on Interim Equity Dividend Paid		12,12,27,432	9,40,74,463
<b>Balance carried forward to the Balance Sheet</b>		<u>404,15,55,754</u>	<u>281,32,46,977</u>
<b>Earnings Per Share (see note 8)</b>			
– Basic		96.05	82.81
– Diluted		93.14	81.14
Significant Accounting Policies and Notes to Accounts	17		
As per our report attached		For and on behalf of the Board	Directors
<b>For Haribhakti &amp; Co.</b>		<b>Deepak S. Parekh</b>	Keki M. Mistry
Chartered Accountants		Chairman	Hoshang S. Billimoria
Firm Registration No. 103523W			Deepak B. Phatak
			Vijay Merchant
			Renu Sud Karnad
			P. M. Thampi
			Rajeshwar Raj Bajaaj
			Humayun Dhanrajgir
			N Keith Skeoch
			James Aird
<b>Rakesh Rathi</b>			Sylvia Furtado
Partner			Company Secretary
		<b>Milind Barve</b>	
		Managing Director	
		<b>Rahul Bhandari</b>	
		Chief Financial Officer	
MUMBAI, April 28, 2011			

## Cash Flow Statement for the year ended March 31, 2011

	Rupees	Previous Year Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation and extraordinary items	355,78,34,939	316,29,58,464
<b>Add / (Less) : Adjustment for</b>		
Depreciation	17,57,77,923	37,83,90,991
Employee Stock Option Expenses	2,81,32,039	5,85,79,263
Reversal of Diminution in the Value of Investments (Utilisation / Reversal of) / Provision for Contingencies	(98,58,767)	(17,44,88,295)
Profit on Sale of Investments (net)	(6,10,46,545)	30,00,00,000
Profit on Sale of Fixed Assets (net)	(2,22,54,167)	(1,50,45,723)
Investment Income	(6,53,395)	(12,26,086)
Interest Expense	(22,20,72,823)	(45,53,40,203)
Provision for Wealth Tax	–	10,41,05,206
	<b>89,200</b>	<b>91,710</b>
<b>Operating Profit before working capital changes</b>	<b>344,59,48,404</b>	<b>335,80,25,327</b>
(Increase) / Decrease in Loans and Advances	(10,24,50,801)	(29,41,89,663)
(Increase) / Decrease in Other Current Assets	98	(3,282)
(Increase) / Decrease in Sundry Debtors	(83,23,174)	54,73,962
Increase / (Decrease) in Current Liabilities	(27,11,03,022)	55,79,59,468
<b>Cash generated from / (used in) Operations</b>	<b>306,40,71,505</b>	<b>362,72,65,812</b>
Income Tax Paid	(107,61,24,469)	(125,09,51,481)
<b>Net cash from / (used in) operating activities</b>	<b>198,79,47,036</b>	<b>237,63,14,331</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(9,91,64,026)	(6,69,83,132)
Proceeds from Sale of Fixed Assets	7,57,972	14,07,764
Purchase of Investments	(730,17,00,000)	(910,47,78,500)
Proceeds from Sale of Investments	699,18,94,780	1099,49,11,667
Dividend Received	2,88,21,500	–
Interest Received	3,52,69,999	50,85,97,252
<b>Net cash from / (used in) investing activities</b>	<b>(34,41,19,775)</b>	<b>233,31,55,051</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Share Capital	22,15,70,450	–
Buy Back of Equity Shares	(101,17,88,350)	–
Repayment of Short Term Loan (net)	–	(383,00,00,000)
Interest Paid on Short Term Loan	–	(22,49,43,562)
Dividend Paid	(72,99,01,000)	(55,35,42,000)
Tax Paid on Dividend	(12,12,27,432)	(9,40,74,463)
<b>Net cash from / (used in) financing activities</b>	<b>(164,13,46,332)</b>	<b>(470,25,60,025)</b>
Net Increase / (Decrease) in cash and cash equivalents	<b>24,80,929</b>	<b>69,09,357</b>
Cash and cash equivalents at the beginning of the Year	<b>1,73,89,988</b>	<b>1,04,80,631</b>
Cash and cash equivalents at the end of the Year	<b>1,98,70,917</b>	<b>1,73,89,988</b>
	<b>24,80,929</b>	<b>69,09,357</b>

As per our report attached  
**For Haribhakti & Co.**  
 Chartered Accountants  
 Firm Registration No. I03523W

**Rakesh Rathi**  
 Partner

MUMBAI, April 28, 2011

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

**Milind Barve**  
 Managing Director

**Rahul Bhandari**  
 Chief Financial Officer

Directors  
**Keki M. Mistry**  
**Hoshang S. Billimoria**  
**Deepak B. Phatak**  
**Vijay Merchant**  
**Renu Sud Karnad**  
**P. M. Thampi**  
**Rajeshwar Raj Bajaaj**  
**Humayun Dhanrajgir**  
**N Keith Skeoch**  
**James Aird**  
**Sylvia Furtado**  
 Company Secretary

## Schedules

Forming part of the accounts as at March 31, 2011

### Schedule 1

#### SHARE CAPITAL

	As at March 31, 2011 Rupees	As at March 31, 2010 Rupees
AUTHORISED		
3,00,00,000 (Previous Year 3,00,00,000) Equity Shares of ₹ 10 each	30,00,00,000	30,00,00,000
5,00,00,000 (Previous Year 5,00,00,000) Redeemable, Cumulative Non-Convertible Preference Shares of ₹ 10 each	50,00,00,000	50,00,00,000
<b>Total</b>	<b>80,00,00,000</b>	<b>80,00,00,000</b>
ISSUED, SUBSCRIBED AND PAID-UP		
2,51,69,000 (Previous Year 2,51,61,000) Equity Shares of ₹ 10 each, fully paid up (Of the above 1,50,96,600 (Previous Year 1,50,96,600) Equity Shares are held by Housing Development Finance Corporation Limited, the Holding Company and its nominees)	25,16,90,000	25,16,10,000
<b>Total</b>	<b>25,16,90,000</b>	<b>25,16,10,000</b>

### Schedule 2

#### RESERVES AND SURPLUS

	As at March 31, 2011 Rupees	As at March 31, 2010 Rupees
General Reserve		
Opening Balance	63,54,64,055	42,70,95,902
Add : Transfer from Profit and Loss Account	24,21,79,180	20,83,68,153
Less : Utilised during the Year (see note 11)	63,54,64,055	—
	<b>24,21,79,180</b>	<b>63,54,64,055</b>
Capital Redemption Reserve		
Opening Balance	50,00,00,000	50,00,00,000
Add : Transfer from Profit and Loss Account (see note 11)	49,28,500	—
	<b>50,49,28,500</b>	<b>50,00,00,000</b>
Securities Premium		
Opening Balance	—	—
Add : Additions during the Year	27,68,61,950	—
Less : Utilised during the Year (see note 11)	27,68,61,950	—
	<b>—</b>	<b>—</b>
Balance in Profit and Loss Account	404,15,55,754	281,32,46,977
<b>Total</b>	<b>478,86,63,434</b>	<b>394,87,11,032</b>

**Schedule 3****FIXED ASSETS**

Rupees

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at March 31, 2010	Additions	Deductions	As at March 31, 2011	As at March 31, 2010	For the Year	Deductions	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
Goodwill	66,83,08,050	-	-	66,83,08,050	46,83,08,050	6,66,66,667	-	53,49,74,717	13,33,33,333	20,00,00,000
Buildings	-	4,99,57,691	-	4,99,57,691	-	5,66,934	-	5,66,934	4,93,90,757	-
Improvement of Rented Premises	28,33,67,069	2,27,18,185	69,88,404	29,90,96,850	15,97,27,286	4,87,96,684	69,88,404	20,15,35,566	9,75,61,284	12,36,39,783
Computer Equipment	8,24,05,813	83,09,681	3,89,782	9,03,25,712	6,62,28,899	1,31,51,866	3,74,871	7,90,05,894	1,13,19,818	1,61,76,914
Intangible Assets (Computer Software)	5,24,26,226	1,53,35,797	-	6,77,62,023	2,89,88,451	1,43,65,797	-	4,33,54,248	2,44,07,775	2,34,37,775
Office Equipment	15,12,70,576	1,28,44,521	13,86,580	16,27,28,517	7,84,48,604	2,66,99,174	13,03,989	10,38,43,789	5,88,84,728	7,28,21,972
Furniture & Fixtures	2,02,02,146	72,10,248	8,42,692	2,65,69,702	1,94,00,094	9,12,374	8,35,617	1,94,76,851	70,92,851	8,02,052
Electrical Installations	2,700	-	-	2,700	2,700	-	-	2,700	-	-
Vehicles	2,20,34,320	47,31,551	22,93,694	2,44,72,177	1,15,18,512	46,18,427	22,93,694	1,38,43,245	1,06,28,932	1,05,15,808
<b>Total</b>	<b>128,00,16,900</b>	<b>12,11,07,674</b>	<b>1,19,01,152</b>	<b>138,92,23,422</b>	<b>83,26,22,596</b>	<b>17,57,77,923</b>	<b>1,17,96,575</b>	<b>99,66,03,944</b>	<b>39,26,19,478</b>	<b>44,73,94,304</b>
Previous Year	124,35,37,277	4,82,38,931	1,17,59,308	128,00,16,900	46,58,09,236	37,83,90,991	1,15,77,631	83,26,22,596	44,73,94,304	

**Schedule 4****INVESTMENTS (Non Trade, Unquoted)****LONG TERM INVESTMENTS (At Cost)**

	As at March 31, 2011 Rupees	As at March 31, 2010 Rupees
<b>Investment in Subsidiary Company</b>		
1,25,000 (Previous Year 1,25,000) fully paid up Equity Shares of SGD 1 each in HDFC Asset Management Company (Singapore) Pte. Ltd.	41,60,500	41,60,500
<b>Investment in Venture Capital Fund</b>		
30,000 Units (Previous Year NIL) of ₹ 1,000 each in Faering Capital India Evolving Fund (Class A) (Purchased 30,000 Units and Redeemed NIL Units during the Year)	3,00,00,000	-
<b>Total Long Term Investments (A)</b>	<b>3,41,60,500</b>	<b>41,60,500</b>

**CURRENT INVESTMENTS****Investment in Schemes of Mutual Fund (Valued at Cost and Fair Value, whichever is lower)**

25,51,177 Units (Previous Year 23,07,372) of ₹ 10 each in HDFC Growth Fund (Dividend Plan) (Purchased 2,43,805 Units and Redeemed NIL Units during the Year)	7,34,61,987	6,65,39,870
29,53,399 Units (Previous Year 26,22,999) of ₹ 10 each in HDFC Prudence Fund (Dividend Plan) (Purchased 3,30,400 Units and Redeemed NIL Units during the Year)	8,08,01,706	7,16,21,210
1,21,95,809 Units (Previous Year 1,11,65,126) of ₹ 10 each in HDFC Arbitrage Fund (Dividend Plan) (Purchased 10,30,683 Units and Redeemed NIL Units during the Year)	12,22,48,503	11,16,54,117
15,29,344 Units (Previous Year 14,04,609) of ₹ 10 each in HDFC Equity Fund (Dividend Plan) (Purchased 1,24,735 Units and Redeemed NIL Units during the Year)	6,95,26,019	6,39,07,583
15,40,508 Units (Previous Year 14,12,133) of ₹ 10 each in HDFC Top 200 Fund (Dividend Plan) (Purchased 1,28,375 Units and Redeemed NIL Units during the Year)	6,92,28,453	6,35,79,922
Carried forward	<b>41,52,66,668</b>	<b>37,73,02,702</b>

**Schedule 4 (Continued)****INVESTMENTS (Non Trade, Unquoted)**

	As at March 31, 2011 Rupees	As at March 31, 2010 Rupees
Brought forward	<b>41,52,66,668</b>	37,73,02,702
26,59,905 Units (Previous Year 23,91,672) of ₹ 10 each in HDFC Capital Builder Fund (Dividend Plan) (Purchased 2,68,233 Units and Redeemed NIL Units during the Year)	<b>7,02,06,379</b>	6,42,27,199
44,61,493 Units (Previous Year 40,16,708) of ₹ 10 each in HDFC Premier Multicap Fund (Dividend Plan) (Purchased 4,44,785 Units and Redeemed NIL Units during the Year)	<b>7,17,69,195</b>	6,57,44,133
31,60,818 Units (Previous Year 28,80,628) of ₹ 10 each in HDFC Core & Satellite Fund (Dividend Plan) (Purchased 2,80,190 Units and Redeemed NIL Units during the Year)	<b>6,52,96,872</b>	5,95,35,615
4,91,64,450 Units (Previous Year 5,94,93,514) of ₹ 10 each in HDFC Cash Management Fund - Treasury Advantage Plan (Growth Plan) (Purchased 5,90,86,660 Units and Redeemed 6,94,15,724 Units during the Year)	<b>105,64,51,964</b>	120,07,30,782
1,58,27,493 Units (Previous Year 1,58,27,493) of ₹ 10 each in HDFC Floating Rate Income Fund - Long Term Plan (Growth Plan)	<b>25,00,00,000</b>	25,00,00,000
27,48,399 Units (Previous Year NIL) of ₹ 10 each in HDFC Liquid Fund (Growth Plan) (Purchased 27,48,399 Units and Redeemed NIL Units during the Year)	<b>5,40,00,000</b>	—
NIL Units (Previous Year 2,50,00,000) of ₹ 10 each in HDFC FMP 13M October 09 (Growth Plan) (Purchased NIL Units and Redeemed 2,50,00,000 Units during the Year)	—	25,00,00,000
1,00,00,000 Units (Previous Year 1,00,00,000) of ₹ 10 each in HDFC FMP 13M March 10 (Growth Plan)	<b>10,00,00,000</b>	10,00,00,000
5,00,00,000 Units (Previous Year 5,00,00,000) of ₹ 10 each in HDFC FMP 14M March 10 (Growth Plan)	<b>50,00,00,000</b>	50,00,00,000
3,00,00,000 Units (Previous Year 3,00,00,000) of ₹ 10 each in HDFC FMP 367D March 10 (1) (Growth Plan)	<b>30,00,00,000</b>	30,00,00,000
2,00,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC Quarterly Interval Fund-Plan C (Dividend Plan) (Purchased 2,00,00,000 Units and Redeemed NIL Units during the Year)	<b>20,00,00,000</b>	—
1,00,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC FMP 370D February 11 (1) (Growth Plan) (Purchased 1,00,00,000 Units and Redeemed NIL Units during the Year)	<b>10,00,00,000</b>	—
50,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC FMP 370D March 11 (1) (Growth Plan) (Purchased 50,00,000 Units and Redeemed NIL Units during the Year)	<b>5,00,00,000</b>	—
2,00,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC FMP 370D March 11 (2) (Growth Plan) (Purchased 2,00,00,000 Units and Redeemed NIL Units during the Year)	<b>20,00,00,000</b>	—
2,50,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC FMP 370D March 11 (3) (Growth Plan) (Purchased 2,50,00,000 Units and Redeemed NIL Units during the Year)	<b>25,00,00,000</b>	—
Carried forward	<b>368,29,91,078</b>	316,75,40,431

**Schedule 4 (Continued)****INVESTMENTS (Non Trade, Unquoted)**

	As at March 31, 2011 Rupees	As at March 31, 2010 Rupees
Brought forward	368,29,91,078	316,75,40,431
5,00,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC FMP 370D March 11 (4) (Growth Plan) (Purchased 5,00,00,000 Units and Redeemed NIL Units during the Year)	50,00,00,000	—
50,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC Debt Fund for Cancer Cure (Dividend Plan) (Purchased 50,00,000 Units and Redeemed NIL Units during the Year)	5,00,00,000	—
<b>Total Current Investments</b>	<b>423,29,91,078</b>	<b>316,75,40,431</b>
Less: Provision for Diminution in the value of Investments in Schemes of Mutual Fund	1,10,46,545	2,09,05,312
<b>Net Current Investments (B)</b>	<b>422,19,44,533</b>	<b>314,66,35,119</b>
Repurchase Price of Investments in Schemes of Mutual Fund ₹ 433,82,13,204 (Previous Year ₹ 316,36,09,571)		
<b>Total Investments (A + B)</b>	<b>425,61,05,033</b>	<b>315,07,95,619</b>

**Schedule 5****DEFERRED TAX**

	As at March 31, 2011 Rupees	As at March 31, 2010 Rupees
Deferred Tax Asset	13,33,24,931	18,54,16,241
Deferred Tax Liability	(5,08,480)	(6,10,040)
<b>Total</b>	<b>13,28,16,451</b>	<b>18,48,06,201</b>

**Schedule 6****SUNDRY DEBTORS**

(Unsecured, Considered good)

	As at March 31, 2011 Rupees	As at March 31, 2010 Rupees
Investment Management Fee Receivable (less than six months)	4,37,77,883	6,77,94,079
Portfolio Management Fee Receivable		
– Over six months	2,15,694	6,34,101
– Others	10,48,90,294	7,21,32,517
<b>Total</b>	<b>10,51,05,988</b>	<b>7,27,66,618</b>
<b>Total</b>	<b>14,88,83,871</b>	<b>14,05,60,697</b>

**Schedule 7****CASH AND BANK BALANCES**

	As at March 31, 2011 Rupees	As at March 31, 2010 Rupees
Balance with Scheduled Banks:		
In Current Account	1,91,83,846	1,67,23,772
In Deposit Account	6,87,071	6,66,216
<b>Total</b>	<b>1,98,70,917</b>	<b>1,73,89,988</b>

**Schedule 8****OTHER CURRENT ASSETS**

	As at March 31, 2011 Rupees	As at March 31, 2010 Rupees
Secured, considered good		
– Interest accrued on Loans	–	9,58,903
Unsecured, considered good		
– Interest accrued on Fixed Deposit	15,628	15,726
<b>Total</b>	<b>15,628</b>	<b>9,74,629</b>

**Schedule 9****LOANS AND ADVANCES**

(Unsecured, Unless Otherwise Stated)

	As at March 31, 2011 Rupees	As at March 31, 2010 Rupees
– Secured Loans to Corporates	–	60,44,51,034
– Sundry Deposits	13,87,15,592	13,98,46,543
– Advance Payment of Taxes	429,81,75,023	322,21,42,265
– Advances Recoverable in Cash or in Kind or for Value to be Received (see note 13)	119,88,21,539	109,52,39,787
<b>Total</b>	<b>563,57,12,154</b>	<b>506,16,79,629</b>

**Schedule 10****CURRENT LIABILITIES**

	As at March 31, 2011 Rupees	As at March 31, 2010 Rupees
Sundry Creditors	93,28,65,539	109,86,60,619
Other Liabilities	3,30,29,473	1,83,37,415
<b>Total</b>	<b>96,58,95,012</b>	<b>111,69,98,034</b>



### Schedule 11 PROVISIONS

	As at March 31, 2011 Rupees	As at March 31, 2010 Rupees
For Taxation	423,31,36,118	314,83,72,175
For Contingencies (see note 10)	23,89,53,455	30,00,00,000
For Others (see note 10)	–	12,00,00,000
<b>Total</b>	<b>447,20,89,573</b>	<b>356,83,72,175</b>

### Schedule 12 MANAGEMENT FEE

	For the year ended March 31, 2011 Rupees	For the year ended March 31, 2010 Rupees
Investment Management Fee (Tax Deducted at Source ₹ 62,04,54,311; Previous Year ₹ 53,92,80,443)	562,51,52,220	457,62,81,833
Portfolio Management Fee (Tax Deducted at Source ₹ 1,15,44,255; Previous Year ₹ 1,74,97,798)	82,43,70,956	99,25,91,011
<b>Total</b>	<b>644,95,23,176</b>	<b>556,88,72,844</b>

### Schedule 13 INTEREST

	For the year ended March 31, 2011 Rupees	For the year ended March 31, 2010 Rupees
On Investments (Tax Deducted at Source ₹ NIL; Previous Year ₹ 39,40,732)	–	3,95,45,619
On Loans (Tax Deducted at Source ₹ 34,31,109; Previous Year ₹ 5,72,55,923)	3,43,11,096	32,90,28,845
On Fixed Deposit	18,708	18,906
<b>Total</b>	<b>3,43,29,804</b>	<b>36,85,93,370</b>

### Schedule 14 OTHER INCOME

	For the year ended March 31, 2011 Rupees	For the year ended March 31, 2010 Rupees
Profit on Sale of Fixed Assets (net)	6,53,395	12,26,086
Profit on Sale of Investments (net)	2,22,54,167	1,50,45,723
Reversal of Diminution in the Value of Investments	98,58,767	17,44,88,295
Miscellaneous Income (Tax Deducted at Source ₹ 2,05,006; Previous Year ₹ 66,695)	4,22,37,380	3,44,96,634
<b>Total</b>	<b>7,50,03,709</b>	<b>22,52,56,738</b>

**Schedule 15****STAFF EXPENSES**

	For the year ended March 31, 2011 Rupees	For the year ended March 31, 2010 Rupees
Salaries, Allowances and Bonus	80,15,71,304	84,07,48,883
Contribution to Provident and Other Funds	4,01,31,634	2,43,17,815
Staff Welfare and Training Expenses	1,38,78,464	1,44,70,614
Recruitment Expenses	32,50,518	10,36,247
<b>Total</b>	<b>85,88,31,920</b>	<b>88,05,73,559</b>

**Schedule 16****ADMINISTRATIVE AND OTHER EXPENSES**

	For the year ended March 31, 2011 Rupees	For the year ended March 31, 2010 Rupees
Brokerage / Incentives / Fees	148,93,43,110	66,99,61,231
Business Promotion	10,31,36,294	17,04,85,545
Rent (net) (Tax Deducted at Source ₹ NIL; Previous Year ₹ 7,05,491)	21,46,58,245	21,79,88,047
Printing and Courier	2,54,46,507	2,66,13,658
Travel and Conveyance	3,08,21,766	3,14,70,956
Communication Expenses	2,99,51,451	2,93,34,120
Subscription and Membership Fees	1,52,34,231	1,18,74,266
Professional and Legal Fees	2,90,74,887	2,09,67,881
Repair and Maintenance	11,45,60,262	10,03,25,906
Outsourced Services Cost	12,26,29,299	10,09,76,047
Insurance Expenses	1,03,65,102	78,06,213
Auditors Remuneration:		
Audit Fee	8,00,000	8,00,000
Audit Fee - PMS Business	23,97,606	22,46,328
Tax Audit Fee	50,000	50,000
Taxation Matters	3,10,000	1,00,000
Reimbursement of Expenses	30,303	58,977
Other Services	4,36,584	4,98,000
	<b>40,24,493</b>	<b>37,53,305</b>
Directors Sitting Fee	34,00,000	27,80,000
Donations	36,00,000	62,25,000
Wealth Tax	89,200	91,710
Miscellaneous Expenses	1,88,85,332	2,28,06,586
<b>Total</b>	<b>221,52,20,179</b>	<b>142,34,60,471</b>

**Schedule 17****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011****I. SIGNIFICANT ACCOUNTING POLICIES****I.1 Accounting Convention**

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

**I.2 Income Recognition**

Management fees and income from investments are accounted for on accrual basis.

**I.3 Fixed Assets**

Fixed Assets are stated at cost of acquisition, including incidental expenses.

**I.4 Depreciation**

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

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

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

**B) Goodwill**

Goodwill generated on amalgamation of erstwhile HDFC AMC Services Company Private Limited and HDFC AMC Mauritius Limited, with the Company is being depreciated equally over a period of 10 years.

**I.5 Investments**

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

**I.6 Transaction in Foreign Currency**

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

**Schedule 17 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011****1.7 Brokerage**

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

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

**1.8 Employee Benefits****A) Provident Fund**

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

**B) Gratuity**

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

**1.9 Income Tax**

The accounting treatment for Income Tax in respect of the Company's income is based on the Accounting Standard on "Accounting for Taxes on Income" (AS -22) issued by the Institute of Chartered Accountants of India. The provision made for Income Tax in the Accounts comprises both, the current tax and the deferred tax. The deferred tax assets and liabilities for the year, arising on account of timing differences, are recognized in the Profit and Loss Account and the cumulative effect thereof is reflected in the Balance Sheet. The major components of the respective balances of deferred tax assets and liabilities are disclosed in the Accounts.

**1.10 Scheme Expenses**

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

**1.11 Provision for Contingencies**

The Company's policy is to carry adequate amounts in the Provision for Contingencies account to cover the amounts outstanding in respect of doubtful assets and also to meet all other contingencies in the business.

**2. Contingent Liabilities**

Disputed Income Tax demand ₹ 50,91,025 (Previous Year ₹ 10,94,532).

**3. Sundry Creditors**

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

**Schedule 17 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011**

(Amount in Rupees)

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

**4. Employee Benefits**

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

**A) Defined Contribution Plan**

Provident Fund

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

(Amount in Rupees)

Particulars	Current Year	Previous Year
Employer's contribution to Provident Fund	2,12,49,994	1,81,18,690

**B) Defined Benefit Plan**

Contribution to Gratuity Fund (Funded Scheme)

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

(Amount in Rupees)

Particulars	Current Year	Previous Year
<b>Change in the Defined Benefit Obligations:</b>		
Liability at the beginning of the Year	2,95,61,280	2,30,44,206
Current Service Cost	62,25,771	59,71,389
Interest Cost	23,64,902	18,43,536
Benefits Paid	(7,35,300)	(3,56,500)
Actuarial (Gain) / Loss	85,07,245	(9,41,351)
<b>Liability at the end of the Year</b>	<b>4,59,23,898</b>	<b>2,95,61,280</b>

## Schedule 17 (Continued)

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011

(Amount in Rupees)

Fair Value of Plan Assets:	Current Year	Previous Year
Fair Value of Plan Assets at the beginning of the Year	3,13,50,664	1,78,08,101
Expected Return on Plan Assets	25,08,053	25,91,569
Contributions	38,93,490	1,13,07,494
Benefits Paid	(7,35,300)	(3,56,500)
Actuarial Loss on Plan Assets	21,32,680	—
<b>Fair Value of Plan Assets at the end of the Year</b>	<b>3,48,84,227</b>	<b>3,13,50,664</b>

Actual Return on Plan Assets:	Current Year	Previous Year
Expected Return on Plan Assets	25,08,053	25,91,569
Actuarial Gain / (Loss) on Plan Assets	(21,32,680)	—
<b>Actual Return on Plan Assets</b>	<b>3,75,373</b>	<b>25,91,569</b>

Amount Recognised in the Balance Sheet:	Current Year	Previous Year
Liability at the end of the Year	4,59,23,898	2,95,61,280
Fair Value of Plan Assets at the end of the Year	3,48,84,227	3,13,50,664
<b>Amount recognised in the Balance Sheet under '(Prepaid)/Provisions'</b>	<b>1,10,39,671</b>	<b>(17,89,384)</b>

Expense Recognised in the Profit and Loss Account:	Current Year	Previous Year
Current Service Cost	62,25,771	59,71,389
Interest Cost	23,64,902	18,43,536
Expected Return on Plan Assets	(25,08,053)	(25,91,569)
Net Actuarial (Gain) / Loss to be Recognised	1,06,39,925	(9,41,351)
<b>Expense recognised in the Profit and Loss Account under 'Staff Expenses'</b>	<b>1,67,22,545</b>	<b>42,82,005</b>

Reconciliation of the Liability Recognised in the Balance Sheet:	Current Year	Previous Year
Opening Net Liability	(17,89,384)	52,36,105
Expense recognised	1,67,22,545	42,82,005
Contribution by the Company	(38,93,490)	(1,13,07,494)
<b>Amount recognised in the Balance Sheet under '(Prepaid)/ Provisions'</b>	<b>1,10,39,671</b>	<b>(17,89,384)</b>

**Schedule 17 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011**

(Amount in Rupees)

Net Actuarial (Gain) / Loss Recognised	Current Year	Previous Year
Actuarial (Gain) / Loss on Plan Assets	21,32,680	—
Actuarial (Gain) / Loss on Defined Benefit Obligation	85,07,245	(9,41,351)
<b>Net Actuarial (Gain) / Loss Recognised</b>	<b>1,06,39,925</b>	<b>(9,41,351)</b>

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

**Actuarial Assumptions:**

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

Particulars	Current Year	Previous Year
Discount Rate	8.25% p.a.	8.00% p.a.
Return on Plan Assets	8.00% p.a.	9.25% p.a.
Compensation Escalation Rate	5.00% p.a.	4.00% p.a.
Average Age	32.00 Years	31.45 Years

**5. Segmental Reporting**

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

The Company's operations predominantly relate to providing Asset Management Services. It acts as an Investment Manager to schemes launched by HDFC Mutual Fund. It also provides Portfolio Management Services (PMS) to Corporates and High Net Worth Individuals. Accordingly, the Company has recognized 'Mutual Fund' and 'Portfolio Management' as Primary business segments.

Secondary segment reporting does not require separate disclosure as most of the activities of the Company are within India.

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

The basis of reporting is as follows:

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

**Schedule 17 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011**

(Amount in Rupees)

	Mutual Fund		Portfolio Management		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Segment Revenue</b>						
Management Fees	562,51,52,220	457,62,81,833	82,43,70,956	99,25,91,011	644,95,23,176	556,88,72,844
Inter Segment Revenue	—	—	—	—	—	—
<b>Total Segment Revenue</b>	562,51,52,220	457,62,81,833	82,43,70,956	99,25,91,011	644,95,23,176	556,88,72,844
Identifiable Operating Expenses	229,36,45,830	144,99,24,064	41,27,38,487	46,23,51,429	270,63,84,317	191,22,75,493
<b>Segmental Operating Income</b>	333,15,06,390	312,63,57,769	41,16,32,469	53,02,39,582	374,31,38,859	365,65,97,351
Unallocable Expenses					54,34,45,705	117,42,54,734
<b>Operating Income</b>					319,96,93,154	248,23,42,617
Other Income					35,81,41,785	68,06,15,847
<b>Net Profit Before Taxation</b>					355,78,34,939	316,29,58,464
Provision For Income Tax					108,40,53,385	122,57,50,588
Deferred Tax Expense					5,19,89,750	(14,64,73,650)
<b>Net Profit After Tax</b>					242,17,91,804	208,36,81,526
<b>Segment Assets And Liabilities</b>						
Segment Assets	84,79,71,570	64,51,94,601	43,00,15,289	51,24,64,903	127,79,86,859	115,76,59,504
Unallocated Assets					930,93,68,625	786,93,18,723
<b>Total Assets</b>					1058,73,55,484	902,69,78,227
Segment Liabilities	80,47,29,442	88,66,77,423	6,56,69,774	9,76,88,804	87,03,99,216	98,43,66,227
Unallocated Liabilities					456,80,93,849	370,16,14,022
<b>Total Liabilities</b>					543,84,93,065	468,59,80,249
Capital Expenditure	—	—	—	—	12,11,07,674	4,82,38,931
Depreciation	—	—	—	—	17,57,77,923	37,83,90,991

**6. Related Party Transactions**

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

- |                                                                       |   |                                                                                                                             |
|-----------------------------------------------------------------------|---|-----------------------------------------------------------------------------------------------------------------------------|
| A) Holding Company                                                    | : | Housing Development Finance Corporation Limited                                                                             |
| B) Investing Party                                                    | : | Standard Life Investments Limited                                                                                           |
| C) Fellow Subsidiaries where Company has transactions during the year | : | HDFC Trustee Company Limited<br>HDFC Standard Life Insurance Company Limited<br>HDFC ERGO General Insurance Company Limited |
| D) Subsidiary Company                                                 | : | HDFC Asset Management Company (Singapore) Pte. Ltd.                                                                         |
| E) Key Management Personnel                                           | : | Mr. Milind Barve, Managing Director                                                                                         |



**Schedule 17 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011**

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

(Amount in Rupees)

Particulars	Holding Company	Investing Party	Fellow Subsidiaries*	Subsidiary Company
<b>INCOME</b>				
Management Fees	–	<b>55,86,413</b>	<b>3,60,000</b>	–
	–	(2,63,68,290)	(3,60,000)	–
Interest on Deposit	–	–	–	–
	–	–	(2,541)	–
<b>EXPENDITURE</b>				
Rent	<b>2,75,09,797</b>	–	–	–
	(3,89,56,740)	–	–	–
Interest	–	–	–	–
	(10,41,05,205)	–	–	–
Advisory Fee	<b>12,44,93,249</b>	–	–	–
	(17,92,88,043)	–	–	–
Technology Support Cost	<b>1,47,99,484</b>	–	–	–
	(1,34,79,484)	–	–	–
Administrative & Other Expenses	<b>35,60,393</b>	–	–	–
	(32,86,995)	–	–	–
Insurance Premium	–	–	<b>46,30,495</b>	–
	–	–	(27,27,680)	–

## Schedule 17 (Continued)

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011

(Amount in Rupees)

Particulars	Holding Company	Investing Party	Fellow Subsidiaries*	Subsidiary Company
<b>ASSETS</b>				
Investment	–	–	–	<b>41,60,500</b>
	–	–	–	(41,60,500)
Deposit	–	–	<b>68,969</b>	–
	–	–	(85,199)	–
Account Receivable	–	<b>11,82,293</b>	<b>7,96,00,901</b>	–
	–	(20,86,381)	(6,41,49,005)	–
Prepaid Insurance Premium	–	–	<b>52,82,323</b>	–
	–	–	(40,81,727)	–
Administrative & Other Expenses	<b>2,143</b>	–	–	–
	(3,266)	–	–	–
<b>LIABILITIES</b>				
Account Payable	<b>37,988</b>	–	–	–
	(7,000)	–	–	–
<b>OTHER TRANSACTIONS</b>				
Purchase of Fixed Assets	<b>7,00,000</b>	–	–	–
	(7,00,000)	–	–	–
Interim Equity Dividend Paid	<b>43,78,01,400</b>	<b>29,18,67,600</b>	–	–
	(33,21,25,200)	(22,14,16,800)	–	–

Remuneration to Key Management Personnel ₹ 5,70,99,893 (Previous Year ₹ 4,29,82,804). Reimbursement of Expenses amounting to ₹ 1,53,528 (Previous Year ₹ 1,73,868) to the Holding Company is not considered above.

**Schedule 17 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011**

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

(Amount in Rupees)

Particulars	HDFC Trustee Company Limited	HDFC Standard Life Insurance Company Limited	HDFC ERGO General Insurance Company Limited
Management Fees	— —	— —	<b>3,60,000</b> (3,60,000)
Interest on Deposit	— —	— (2,541)	— —
Insurance Premium	— —	<b>7,13,304</b> (6,44,269)	<b>39,17,191</b> (20,83,411)
Deposit	— —	<b>68,969</b> (85,199)	— —
Account Receivable*	<b>7,96,00,901</b> (6,41,49,005)	— —	— —
Prepaid Insurance Premium	— —	<b>7,733</b> (9,693)	<b>52,74,590</b> (40,72,034)

\* Includes an amount of ₹ 2,38,40,211 paid to HDFC Trustee Company Limited during the year (see note 13).

Figures in bracket pertain to the Previous Year.

**7. Operating Leases**

The company has entered into non-cancelable leasing arrangements for certain premises. The total lease payments recognized in the Profit and Loss Account towards the said leases amounts to ₹ 1,54,13,827 (Previous Year ₹ 2,42,51,172).

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

(Amount in Rupees)

	Current Year	Previous Year
Not later than one year	<b>1,48,08,160</b>	2,92,38,160
Later than one year but not later than five years	<b>1,37,09,562</b>	2,73,67,722

**8. Earning Per Equity Share**

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

- (i) In calculating the basic earnings per equity share, the net profit after tax of ₹ 242,17,91,804 (Previous Year ₹ 208,36,81,526) has been adjusted for short provision of income tax for earlier years of ₹ 7,13,070 (Previous Year Nil).

Accordingly, the basic earnings per equity share has been calculated based on the adjusted net profit after tax of ₹ 242,10,78,734 (Previous Year ₹ 208,36,81,526) and weighted average number of equity shares outstanding during the year amounting to ₹ 2,52,06,588 (Previous Year ₹ 2,51,61,000).

**Schedule 17 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011**

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

(Amount in Rupees)

	Current Year	Previous Year
Nominal value per share	10.00	10.00
Basic earnings per share	96.05	82.81
Effect of potential equity shares for stock options (per share)	(2.91)	(1.67)
Diluted earnings per share	93.14	81.14

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

	Current Year	Previous Year
Weighted average number of equity shares used in computing basic earnings per equity share	2,52,06,588	2,51,61,000
Effect of potential equity shares for stock options outstanding	7,88,073	5,18,794
Weighted average number of equity shares used in computing diluted earnings per equity share	2,59,94,661	2,56,79,794

**9. Deferred Tax**

In compliance with the Accounting Standard on "Accounting for Taxes on Income" (AS-22) issued by the Institute of Chartered Accountants of India, the Company has made net deferred tax adjustment of ₹ 5,19,89,750 (Previous Year ₹ 14,64,73,650) as per details given below. The amount has been debited to the Profit and Loss Account alongwith provision for taxation for the year.

(Amount in Rupees)

Description	As on March 31, 2010	For the Year	As on March 31, 2011
<b>Assets</b>			
Depreciation	4,56,53,610	97,19,466	5,53,73,076
Provision for Contingencies	9,96,52,500	(2,21,24,052)	7,75,28,448
Others	4,01,10,131	(3,96,86,724)	4,23,407
Total	18,54,16,241	(5,20,91,310)	13,33,24,931
<b>Liabilities</b>			
Others	6,10,040	(1,01,560)	5,08,480
Net Deferred Tax Asset (Adjustment)	18,48,06,201	(5,19,89,750)	13,28,16,451

**Schedule 17 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011****10. Provisions**

- (a) In compliance with the Accounting Standard on “Provisions, Contingent Liabilities and Contingent Assets” (AS-29) issued by the Institute of Chartered Accountants of India, balance under 'Provision for Others' represented provision made by the Company for Staff Related Benefits. Movement in Provision for Others account during the year is as under:

(Amount in Rupees)

Carrying Amount as at April 1, 2010	Additions during the year	Amounts used during the year	Amounts reversed during the year	Carrying Amount as at March 31, 2011
12,00,00,000	–	11,47,62,100	52,37,900	–

- (b) Provision for Contingencies amounting to ₹ 23,89,53,455 represents provision against doubtful assets and all other contingencies in the business. Movement in Provision for Contingencies account during the year is as under:

(Amount in Rupees)

Carrying Amount as at April 1, 2010	Additions during the year	Amounts used during the year	Amounts reversed during the year	Carrying Amount as at March 31, 2011
30,00,00,000	–	1,10,46,545	5,00,00,000	23,89,53,455

**11. Buy Back of Equity Shares**

Pursuant to the approval of the shareholders at the Extraordinary General Meetings and in accordance with the provisions of the Companies Act, 1956 (Act) and Private Limited Company and Unlisted Public Limited Company (Buy-back of Securities) Rules, 1999, the Company bought back 4,92,850 equity shares during the year (Previous Year Nil) at an aggregate value of ₹ 101,17,88,350 (Previous Year ₹ Nil). The Company has utilised the Securities Premium Account & Free Reserves for this purpose. A sum of ₹ 49,28,500 (Previous Year ₹ Nil) has been transferred to Capital Redemption Reserve in terms of Section 77AA of the Act.

**12. Accounting for Employee Share Based Payments**

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

In terms of ESOS 2009 – Series I, the options vest over a period of 1-2 years from the date of grant. Accordingly, during the year 77,000 options (Previous Year Nil) vested. The options can be exercised over a period of five years from the date of respective vesting.

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

**Schedule 17 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011**

In terms of ESOS 2008 – Series I and ESOS 2008 – Series II, the options vest over a period of 3-4 years from the date of grant. Accordingly, during the year 2,46,000 options under ESOS 2008 – Series I (Previous Year Nil) vested and 4,93,250 options under ESOS 2008 – Series II (Previous Year Nil) vested [including 1,500 options under ESOS 2008 – Series II (Previous Year Nil) vested and lapsed]. The options can be exercised over a period of five years from the date of respective vesting.

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

**Method used for accounting for share based payment plan:**

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

**Movement in the options under ESOS 2008 & ESOS 2009:**

	No. of Options					
	Current Year			Previous Year		
	ESOS 2008		ESOS 2009	ESOS 2008		ESOS 2009
	Series I	Series II	Series I	Series I	Series II	Series I
Outstanding at the beginning of the year	4,92,000	10,11,500	1,54,000	4,92,000	10,46,000	Nil
Granted during the year	Nil	Nil	Nil	Nil	Nil	1,54,000
Exercised during the year	1,67,500	2,83,350	50,000	Nil	Nil	Nil
Lapsed during the year	Nil	35,000	Nil	Nil	34,500	Nil
Outstanding at the end of the year	3,24,500	6,93,150	1,04,000	4,92,000	10,11,500	1,54,000
Exercisable at the end of the year	78,500	2,08,400	27,000	Nil	Nil	Nil

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

**Fair value methodology:**

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

**Schedule 17 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011**

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

Particulars	ESOS 2008–Series I	ESOS 2008–Series II	ESOS 2009–Series I
Date of grant	10 <sup>th</sup> March 2008	10 <sup>th</sup> March 2008	25 <sup>th</sup> August 2009
Risk-free interest rate	7.03% - 7.22% p.a.	7.03% - 7.22% p.a.	6.24% - 6.56% p.a.
Expected life	4 - 6 years	4 - 6 years	3 - 5 years
Expected volatility	0%	0%	0%
Dividend yield	1.97% p.a.	1.97% p.a.	2.73% p.a.
Fair value of the option	₹ 407/-	₹ 155/-	₹ 66/-

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

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

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

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

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

Particulars	ESOS 2008 – Series I		ESOS 2008 – Series II	
	Original Terms	Modified Terms	Original Terms	Modified Terms
Risk-free interest rate	5.85%-6.56% p.a.	6.24%-6.56% p.a.	5.85%-6.56% p.a.	6.24%-6.56% p.a.
Expected life	2 – 5 years	3 – 5 years	2 – 5 years	3 - 5 years
Expected volatility	0%	0%	0%	0%
Dividend yield	2.73% p.a.	2.73% p.a.	2.73% p.a.	2.73% p.a.
Fair value of the option	₹ 166/-	₹ 261/-	₹ Nil	₹ 66/-

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

**Schedule 17 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011****Impact of fair value method on net profit and earning per share:**

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

(Amount in Rupees)

Particulars	Current Year	Previous Year
Adjusted Net Profit (as reported)	<b>242,10,78,734</b>	208,36,81,526
Add: Stock-based employee compensation expense included in the net income (Gross ₹ <b>2,81,32,038</b> ; Previous Year ₹ 5,85,79,263)	<b>1,87,87,278</b>	3,86,68,172
Less: Stock-based employee compensation expense determined under fair value based method (Gross ₹ <b>10,86,31,294</b> ; Previous Year ₹ 16,69,19,835) (pro forma)	<b>7,25,46,694</b>	11,01,83,783
Net Profit (pro forma)	<b>236,73,19,318</b>	201,21,65,915

(Amount in Rupees)

Particulars	Current Year	Previous Year
Basic earning per share (as reported)	<b>96.05</b>	82.81
Basic earning per share (pro forma)	<b>93.92</b>	79.97
Diluted earning per share (as reported)	<b>93.14</b>	81.14
Diluted earning per share (pro forma)	<b>91.12</b>	78.71

**Movement in Employee Stock Options Outstanding Account:**

(Amount in Rupees)

Carrying Amount as at April 1, 2010	Additions during the year	Transfer to Securities Premium during the year	Carrying Amount as at March 31, 2011
14,06,76,946	2,81,32,039	6,03,00,000	10,85,08,985

13. (a) In terms of interim order dated 17 June 2010 received from Securities and Exchange Board of India (SEBI), the Company has deposited ₹ 2,38,40,211 with HDFC Trustee Company Limited representing estimated losses incurred by the schemes of HDFC Mutual Fund /clients of the Company on suspected "front running" of the orders of HDFC Mutual Fund by a dealer of the Company. This amount is held by HDFC Trustee Company Limited in an account segregated for this purpose, till further orders by SEBI are received in this matter. The said amount has been included under Loans and Advances (Schedule 9).
- (b) The exact liability, if any on the Company in connection with the aforesaid matter cannot be determined at this stage.



**Schedule 17 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011****14. Income in Foreign Currency**

(Amount in Rupees)

	Current Year	Previous Year
Investment Advisory Fee	1,23,17,475	3,17,64,353
Interest Income	18,708	18,906

**15. Payments in Foreign Currency**

## A) Expenditure

(Amount in Rupees)

	Current Year	Previous Year
i) Staff Training Expenses	3,54,156	15,48,705
ii) Travelling Expenses	5,69,183	7,41,123
iii) Overseas Representative Office Expenses	1,08,37,617	74,19,197
iv) Professional Fees	25,14,398	Nil

## B) Dividend

(Amount in Rupees)

	Current Year	Previous Year
i) Interim Dividend on Equity Shares		
(a) Year to which the dividend relates	2010-11	2009-10
(b) Number of non-resident shareholders	1	1
(c) Number of Shares held	1,00,64,400	1,00,64,400
(d) Amount Remitted (Gross)	29,18,67,600	22,14,16,800

**16. Managerial Remuneration**

Remuneration to the Managing Director:

(Amount in Rupees)

	Current Year	Previous Year
Salary & Allowances (incl. Perquisites)	5,57,21,293	4,17,75,004
Contribution to Retirement benefits	13,78,600	12,07,800

Computation of net profits in accordance with Section 309(5) of the Companies Act, 1956 has not been given since no commission is payable.

**Schedule 17 (Continued)**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011**

**17. Capital Commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ 17,07,42,980 (Previous Year ₹ 1,10,35,653).

**18. Comparatives Figures**

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

**19. Part IV to the Schedule VI of the Companies Act, 1956**

The Balance Sheet abstract and the Company's business profile as required by Part IV to Schedule VI to the Companies Act, 1956 is attached herewith.

For and on behalf of the Board

**Deepak S. Parekh**  
Chairman

Directors

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

**Milind Barve**  
Managing Director

**Rahul Bhandari**  
Chief Financial Officer

**Sylvia Furtado**  
Company Secretary

MUMBAI, April 28, 2011

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

(Submitted in terms of Part IV of Schedule VI to the Companies Act, 1956)

**I. Registration Details**

Registration No.

1 2 3 0 2 7

State Code 1 1

Balance Sheet Date

3 1 3 2 0 1 1

**II. Capital Raised during the year : (Amount in ₹ '000)**

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

Stock Options

5 0 0 9

**III. Position of Mobilisation and Deployment of Funds : (Amount in ₹ '000)**

Total Liabilities

1 0 5 8 6 8 4 7

Total Assets

1 0 5 8 6 8 4 7

**SOURCES OF FUNDS**

Paid-up Capital

2 5 1 6 9 0

Reserves and Surplus

4 8 9 7 1 7 2

Secured Loans

N I L

Unsecured Loans

N I L

**APPLICATION OF FUNDS**

Net Fixed Assets

3 9 3 4 4 3

Investments

4 2 5 6 1 0 5

Net Current Assets

4 9 9 3 1 4

Miscellaneous Expenditure

N I L

Accumulated Losses

N I L

**IV. Performance of the Company : (Amount in ₹ '000)**

Total Income

6 8 0 7 6 6 5

Total Expenditure

3 2 4 9 8 3 0

Profit Before Tax

3 5 5 7 8 3 5

Profit After Tax

2 4 2 1 7 9 2

Earnings per Share (in ₹)

9 6 . 0 5

Dividend Rate %

2 9 0

**V. Generic Names of Principal Services of the Company: (as per monetary terms)**

Item Code No. (ITC Code) N I L

Product Description A S S E T M A N A G E M E N T

Item Code No. (ITC Code) N I L

Product Description P O R T F O L I O M A N A G E M E N T S E R V I C E S

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Name of the Subsidiary	HDFC Asset Management Company (Singapore) Pte. Ltd.
The financial year of the subsidiary company ended on	March 31, 2011
Number of shares of the subsidiary company held by HDFC Asset Management Company Limited	1,25,000
The net aggregate of profits of the subsidiary company so far as these concern the members of HDFC Asset Management Company Limited	
(I) Dealt with in the accounts of HDFC Asset Management Company Limited amounted to:	
(a) For subsidiary's financial year ended on March 31, 2011	₹ Nil
(b) For previous financial years of the subsidiary since it became subsidiary of HDFC Asset Management Company Limited	₹ Nil
(II) Not dealt with in the accounts of HDFC Asset Management Company Limited amounted to:	
(a) For subsidiary's financial year ended on March 31, 2011 — Loss	₹ 6,23,016
(b) For previous financial years of the subsidiary since it became subsidiary of HDFC Asset Management Company Limited - Loss	₹ 25,31,629

For and on behalf of the Board

**Deepak S. Parekh**  
Chairman

Directors

**Keki M. Mistry**  
**Hoshang S. Billimoria**  
**Deepak B. Phatak**  
**Vijay Merchant**  
**Renu Sud Karnad**  
**P. M. Thampi**  
**Rajeshwar Raj Bajaaj**  
**Humayun Dhanrajgir**  
**N Keith Skeoch**  
**James Aird****Milind Barve**  
Managing Director**Rahul Bhandari**  
Chief Financial Officer**Sylvia Furtado**  
Company Secretary

MUMBAI, April 28, 2011