



# HDFC Asset Management Company Limited

A Subsidiary of Housing Development Finance Corporation Limited

## Board of Directors

Mr. Deepak S. Parekh  
**Chairman**

### Directors

Mr. Norman Keith Skeoch  
Mr. Mark Connolly  
(resigned w.e.f. March 15, 2009)  
Mr. Hoshang Billimoria  
Mr. P. M. Thampi  
Dr. Deepak B. Phatak  
Mr. Humayun Dhanrajgir  
Ms. Renu Sud Karnad  
Mr. Rajeshwar R. Bajaj  
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 : 022-2204 4304

## Directors' Report

TO THE MEMBERS

Your directors have the pleasure in presenting the Tenth Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2009.

### Financial Results

	For the year ended March 31, 2009 (Rs. in crores)	For the year ended March 31, 2008 (Rs. in crores)
Profit before Tax	202.29	176.86
Provision for Tax (Net Deferred Tax)	72.69	58.51
Provision for Fringe Benefit Tax	0.49	0.62
Profit after Tax	129.11	117.74
Balance brought forward from previous year	86.80	52.40
Profit available for appropriation	215.91	170.14
Excess provision of Income Tax for earlier years (net)	0.28	—
General Reserve	12.91	11.77
Capital Redemption Reserve	—	25.00
Preference Dividend	—	-2.06
Tax on Preference Dividend	—	0.35
Interim Equity Dividend Paid	37.74	—
Tax on Interim Equity Dividend Paid	6.41	—
Proposed Equity Dividend	—	37.74
Tax on Proposed Equity Dividend	—	6.41
Balance carried to Balance Sheet	158.57	86.80

For the year ended March 31, 2009, the Company posted a net profit of Rs. 129.11/- crores as against Rs. 117.74/- 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 Rs. 15/- per equity share in the month of March 2009 and the same

is confirmed as Final Dividend for the financial year ended March 31, 2009.

### Review of Operations

Your Directors are pleased to report that :-

❖ We have closed the Financial Year 2008-2009 with Average Assets Under Management (AAUM) at Rs. 57,956/- crores for the month of March 2009. The Assets under

Management for the Mutual Fund as on March 31, 2009 were at Rs. 47,554.02/- crores. Despite being a challenging year witnessing an unprecedented crisis globally, HDFC Mutual Fund posted a growth of 29.44% in the AAUM when compared to March 2008. This compares favorably when compared to the Mutual Fund industry, which declined by 6.94% in the corresponding period. The year saw HDFC Mutual Fund improving its market position to being 2nd largest Mutual Fund in India.

- ❖ During the financial year, the aggregate assets under investment management /advisory services under Portfolio Management Services were at Rs. 1,355/- crores as on March 31, 2009. Discretionary Portfolio Management is provided to High Networth Individuals and Corporate(s) on a segregated basis while advisory services are provided to Institutional Investors.

- ❖ Your company under Portfolio Management Services had offered “HDFC AMC PMS - Real Estate Portfolio - I” to resident individuals and corporate(s) during the previous financial year. The company had received commitments of Rs. 3,831/- crores from 10,168 clients. During the year 2008-09, additional drawdowns were made and the total drawdown amount now stands at 40% of the commitment amount.

- ❖ During the year, the total number of accounts under HDFC Mutual Fund has increased from 30,89,686 as at March 31, 2008 to 34,86,186 as at March 31, 2009. Addition of Official Points of Acceptance of transactions for HDFC Mutual Fund was an area of

special focus. New Investor Service Centres (ISCs) of Computer Age Management Services Pvt. Ltd. (CAMS), the Registrar and Transfer Agents of HDFC Mutual Fund have been added as part of the list of Official Points of Acceptance for transactions of HDFC Mutual Fund Schemes. Presently, such Official Points of Acceptance are available at 181 locations across the country as compared to 135 locations in the previous year. Your Company has also expanded its network of ISCs from 47 as on March 31, 2008 to 101 as on March 31, 2009. A representative office is also maintained in Dubai, UAE for the benefit of Non Resident Indian investors in the Middle East.

#### Awards

Your Directors are pleased to inform that AMC has retained its “Fund House Level 1” rating assigned by CRISIL this year also. This award is for Fund Governance and Process Quality rating (FGP), which reflects the highest governance levels and fund management practices of the Company. HDFC AMC is the only AMC in India as of date to have been assigned the Fund House Level-1 rating.

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

#### 1] ICRA Mutual Funds Awards 2009 –

- ❖ HDFC Growth Fund - Ranked as Five Star Fund indicating the performance among top 10% in the category of Open Ended Diversified Equity – Defensive for 3 year period ended December 31, 2008.

- ❖ HDFC Multiple Yield Fund-Plan 2005 - Ranked as Five Star Fund indicating the performance among top 10% in the category of Open Ended Marginal Equity for 1 year period ended December 31, 2008.

#### 2] CNBC - TV 18 - CRISIL Mutual Fund of the Year Award 2009 –

- ❖ HDFC Cash Management Fund - Savings Plan won the CNBC - TV 18 - CRISIL Mutual Fund of the Year Award 2009 in the Most Consistent Liquid Fund under CRISIL ~ CPR for the calendar year 2008.

#### 3] Lipper Fund Awards 2009 –

- ❖ HDFC Equity Fund - Growth was awarded the ‘Best Fund over Ten Years’ in the Equity India Category at the Lipper Fund Awards 2009. It was also awarded the ‘Best Fund over Ten Years’ for last four years.

- ❖ HDFC Prudence Fund-Growth was awarded ‘Best Fund over Ten Years’ in Mixed Asset INR Aggressive Asset Class at the Lipper Funds Awards 2009.

- ❖ At the Lipper Funds Awards 2009 (Gulf Universe), HDFC Prudence Fund-Growth Plan was awarded the top performer in the Mixed Asset INR Aggressive Asset Class over five years.

#### Review of the subsidiary company HDFC ASSET MANAGEMENT COMPANY (SINGAPORE) PTE. LTD.

In view of the Company’s aspirations of expanding its expertise into international markets and the several advantages offered by Singapore as an international hub, we have incorporated a wholly owned subsidiary Company in

Singapore. The Company was incorporated 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, retail investors, etc. HDFC Asset Management Company (Singapore) Pte. Ltd. has made an application to Monetary Authority of Singapore (MAS) for a Capital Markets Services license for offering full fund management and advisory services. The Company shall commence its business pursuant to receipt of the said License from MAS.

#### Directors

In accordance with the Companies Act, 1956 and the Articles of Association of the Company, Ms. Renu Sud Karnad, Mr. Rajeshwar Bajaj and Dr. Deepak Phatak, Directors, retire by rotation at the ensuing Annual General Meeting. They are eligible for re-appointment.

At the Board meeting held on April 23, 2009, Mr. James Aird was appointed as Additional Director of the Company and Mr. Mark Connolly resigned from the Board with effect from March 15, 2009.

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.

Seven Board meetings were held during the financial year under review – on April 23, 2008, June 13, 2008, August 19, 2008, October 17, 2008, November 1, 2008, December 9, 2008 and February 3, 2009.

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)	7
(ii) Mr. Norman Keith Skeoch	2
(iii) Mr. Mark Connolly	1
(iv) Mr. Humayun Dhanrajgir	7
(v) Mr. Hoshang Billimoria	7
(vi) Mr. P. M. Thampi	7
(vii) Dr. Deepak B. Phatak	6
(viii) Ms. Renu Sud Karnad	6
(ix) Mr. Rajeshwar R. Bajaj	6
(x) Mr. Keki Mistry	6
(xi) Mr. Vijay Merchant	7
(xii) Mr. Milind Barve (Managing Director)	7

#### 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 and Mr. Humayun Dhanrajgir. 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 4 times during the financial year under review. The Audit Committee met prior to the finalization of the accounts for the year ended March 31, 2009.

#### 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 :  
Rs. 3,53,93,039/- earnings  
(previous year : Rs. 5,27,07,065/-)

- Foreign exchange :  
Rs. 31,23,53,026/- expenditure  
(previous year: Rs. 6,88,68,372/-)  
(including Equity & Preference 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 hold office until the conclusion of the ensuing Annual General Meeting and are 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, 2009 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, Investor Service Centres and other service providers. The Directors would like to convey their gratitude to Housing Development Finance Corporation Limited and Standard Life Investments Limited and look forward to their continued support.

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

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

On behalf of the Board of Directors

MUMBAI  
April 23, 2009

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 31<sup>st</sup> March, 2009, 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 31<sup>st</sup> March, 2009 and taken on record by the Board of Directors of the Company, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2009 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 31<sup>st</sup> March, 2009,

(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

Chetan Desai  
Partner

MUMBAI  
April 23, 2009

Membership No: 17000

## 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 31<sup>ST</sup> MARCH, 2009.

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. The Company has not granted any loans, secured or unsecured to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
5. The Company has taken unsecured loan from a party covered in the register maintained under Section 301 of the Companies Act, 1956. At the year-end, the outstanding balance of such loan taken aggregated to Rs. 383,00,00,000 and the maximum amount involved during the year was Rs. 500,00,00,000.
6. In respect of above loan taken the rate of interest and other terms and conditions are *prima facie* not prejudicial to the interest of the Company.
7. In respect of above loan taken, payment of principal and interest are regular.
8. 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.
9. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the Company has not entered into any transactions that need to be entered in the register maintained under Section 301 of the Companies Act, 1956.
10. The Company has not accepted any deposits from the public.
11. In our opinion, the Company has an adequate internal audit system commensurate with the size of the Company and nature of its business.
12. 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.

## Annexure to the Auditors' Report (Continued)

13. 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.

14. 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 31<sup>st</sup> March, 2009 for a period of more than six months from the date they became payable.

15. According to the information and explanations given to us by the Company, there is a disputed amount payable in respect of income tax as at 31<sup>st</sup> March, 2009. The details of disputed dues is as under:

16. The Company has neither accumulated losses as at 31<sup>st</sup> March, 2009 nor has it incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.

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

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

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

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

21. During the year, the Company has taken short term loans. The Company has applied the short term loans for the purpose for which they were obtained.

22. 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.

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961.	Income Tax	3,67,497/-	A.Y. 2003-2004	The Company has filed an appeal against Income Tax Officer's Assessment order with the Commissioner of Income Tax (Appeals).
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).



## **Annexure to the Auditors' Report** (Continued)

23. 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.

no fraud on the Company or by the Company has been noticed or reported during the course of our audit.

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

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

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

26. Based upon the audit procedures performed and information and explanations given by the management, we report that

For HARIBHAKTI & CO.,  
Chartered Accountants

Chetan Desai  
Partner

MUMBAI  
April 23, 2009

Membership No: 17000

## Balance Sheet as at March 31, 2009

	Schedule	Rupees	Rupees	March 31, 2008 Rupees
<b>FUNDS EMPLOYED</b>				
SHAREHOLDER'S FUNDS				
Share Capital	1	25,16,10,000		25,16,10,000
Employee Stock Options Outstanding		8,20,97,684		49,70,600
Reserves and Surplus	2	251,26,45,969		166,59,71,217
LOAN FUNDS				
Unsecured Loan	3	383,00,00,000		—
<b>TOTAL</b>		<b>667,63,53,653</b>		<b>192,25,51,817</b>
<b>APPLICATION OF FUNDS</b>				
FIXED ASSETS				
Gross Block	4	124,35,37,277		102,96,36,772
Less: Depreciation		46,58,09,236		35,29,99,593
Net Block		77,77,28,041		67,66,37,179
Capital Advances		40,22,919		5,46,76,273
			<b>78,17,50,960</b>	73,13,13,452
INVESTMENTS	5		<b>71,40,80,064</b>	230,01,91,864
DEFERRED TAX ASSET (see note 10)	6		<b>3,83,32,551</b>	5,58,67,662
CURRENT ASSETS, LOANS AND ADVANCES				
Sundry Debtors	7	14,60,34,659		13,89,96,471
Cash and Bank Balances	8	1,04,80,631		2,00,12,741
Other Current Assets	9	14,09,94,135		15,661
Loans and Advances	10	756,71,72,381		237,90,80,118
			<b>786,46,81,806</b>	253,81,04,991
Less: CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	11	79,10,26,922		195,79,98,229
Provisions	12	193,14,64,806		174,49,27,923
			<b>272,24,91,728</b>	370,29,26,152
NET CURRENT ASSETS			<b>514,21,90,078</b>	(116,48,21,161)
<b>TOTAL</b>			<b>667,63,53,653</b>	<b>192,25,51,817</b>
Significant Accounting Policies and Notes to Accounts	18			

As per our report attached

**For Haribhakti & Co.**  
Chartered Accountants

**Chetan Desai**  
Partner

MUMBAI, April 23, 2009

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 Bajaj**  
**Humayun Dhanrajgir**

**Sylvia Furtado**  
Company Secretary

## Profit & Loss Account for the year ended March 31, 2009

	Schedule	Rupees	Previous Year Rupees
<b>INCOME</b>			
Management Fee	13	403,98,46,215	306,19,70,010
Interest	14	31,95,48,845	18,950
Dividend		9,69,55,757	11,97,76,944
Other Income	15	5,12,53,489	1,84,00,783
<b>Total</b>		<u>450,76,04,306</u>	<u>320,01,66,687</u>
<b>EXPENDITURE</b>			
Staff Expenses	16	69,14,15,016	54,72,67,055
Administrative and Other Expenses	17	135,90,77,785	78,81,67,235
Interest		30,04,02,740	—
Depreciation	4	13,37,67,752	9,61,54,345
<b>Total</b>		<u>248,46,63,293</u>	<u>143,15,88,635</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<u>202,29,41,013</u>	176,85,78,052
Less: Provision for Tax (Net of Deferred Tax) (see note 10)		72,69,35,111	58,50,63,074
Less: Provision for Fringe Benefit Tax		49,25,000	61,50,000
<b>PROFIT/(LOSS) AFTER TAX</b>		<u>129,10,80,902</u>	117,73,64,978
Balance brought forward from Previous Year		86,79,83,405	52,40,15,780
<b>Profit Available for Appropriation</b>		<u>215,90,64,307</u>	<u>170,13,80,758</u>
Appropriations:			
Short Provision of Income Tax for Earlier Years		28,49,471	—
General Reserve		12,91,08,090	11,77,36,498
Capital Redemption Reserve		—	25,00,00,000
Preference Dividend		—	2,06,02,740
Tax on Preference Dividend		—	35,01,436
Interim Equity Dividend Paid		37,74,15,000	—
Tax on Interim Equity Dividend Paid		6,41,41,679	—
Proposed Equity Dividend		—	37,74,15,000
Tax on Proposed Equity Dividend		—	6,41,41,679
<b>Balance carried forward to the Balance Sheet</b>		<u>158,55,50,067</u>	<u>86,79,83,405</u>
<b>Earnings Per Share (see note 9)</b>			
– Basic		51.20	45.84
– Diluted		51.12	45.83
Significant Accounting Policies and Notes to Accounts	18		

As per our report attached

**For Haribhakti & Co.**

Chartered Accountants

**Chetan Desai**

Partner

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 Bajaj**  
**Humayun Dhanrajgir****Sylvia Furtado**  
Company Secretary

MUMBAI, April 23, 2009

## Cash Flow Statement for the year ended March 31, 2009

	Rupees	Previous Year Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation and extraordinary items	<b>202,29,41,013</b>	176,85,78,052
<b>Add / (Less) : Adjustment for</b>		
Depreciation	<b>13,37,67,752</b>	9,61,54,345
Employee Stock Option Expenses	<b>7,71,27,083</b>	49,70,600
Provision for Diminution in the Value of Investments	<b>15,76,03,847</b>	3,77,89,760
(Profit) / Loss on Sale of Investment (net)	<b>1,80,57,158</b>	(27,76,092)
Profit on Sale of Fixed Assets (net)	<b>(11,27,187)</b>	(4,04,135)
Investment Income	<b>(41,64,91,117)</b>	(11,97,76,944)
Interest Expense	<b>30,04,02,740</b>	—
Provision for Wealth Tax	<b>84,930</b>	65,888
<b>Operating Profit before working capital changes</b>	<b>229,23,66,219</b>	178,46,01,474
(Increase) / Decrease in Loans and Advances	<b>21,27,01,162</b>	(77,24,90,640)
(Increase) / Decrease in Other Current Assets	<b>3,217</b>	533
(Increase) / Decrease in Sundry Debtors	<b>(70,38,188)</b>	(2,95,71,935)
Increase / (Decrease) in Current Liabilities	<b>(137,18,07,257)</b>	153,32,57,917
<b>Cash generated from operations</b>	<b>112,62,25,153</b>	251,57,97,349
Income Tax Paid	<b>(75,09,61,670)</b>	(56,86,59,476)
<b>Net cash from operating activities</b>	<b>37,52,63,483</b>	194,71,37,873
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	<b>(18,49,33,637)</b>	(17,46,07,792)
Proceeds from Sale of Fixed Assets	<b>18,55,563</b>	6,79,101
Purchase of Investments	<b>(1931,46,80,056)</b>	(918,95,58,488)
Proceeds from Sale of Investments	<b>1613,15,75,832</b>	779,43,13,974
Dividend Received	<b>1,62,61,000</b>	2,55,11,563
Interest Received	<b>19,78,03,446</b>	—
<b>Net cash used in investing activities</b>	<b>(315,21,17,852)</b>	(154,36,61,642)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share Capital - Preference	—	(25,00,00,000)
Proceeds from Short Term Loan (net)	<b>383,00,00,000</b>	—
Interest Paid on Short Term Loan	<b>(17,95,64,383)</b>	—
Dividend Paid	<b>(75,48,30,000)</b>	(12,12,46,740)
Tax Paid on Dividend	<b>(12,82,83,358)</b>	(2,06,05,884)
<b>Net cash from / (used in) financing activities</b>	<b>276,73,22,259</b>	(39,18,52,624)
Net (Decrease) / Increase in cash and cash equivalents	<b>(95,32,110)</b>	1,16,23,607
Cash and cash equivalents at the beginning of the Year	<b>2,00,12,741</b>	83,89,134
Cash and cash equivalents at the end of the Year	<b>1,04,80,631</b>	2,00,12,741
	<b>(95,32,110)</b>	1,16,23,607

As per our report attached  
**For Haribhakti & Co.**  
Chartered Accountants

**Chetan Desai**  
Partner

MUMBAI, April 23, 2009

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 Bajaj**  
**Humayun Dhanrajir**  
**Sylvia Furtado**  
Company Secretary

## Schedules

Forming part of the accounts as at March 31, 2009

### Schedule 1

#### SHARE CAPITAL

	As at March 31, 2009 Rupees	As at March 31, 2008 Rupees
AUTHORISED		
3,00,00,000 (Previous Year 3,00,00,000) Equity Shares of Rs.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 Rs.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		
2,51,61,000 (Previous Year 2,51,61,000) Equity Shares of Rs.10 each, fully paid up	25,16,10,000	25,16,10,000
(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)		
<b>Total</b>	<b>25,16,10,000</b>	<b>25,16,10,000</b>

### Schedule 2

#### RESERVES AND SURPLUS

	As at March 31, 2009 Rupees	As at March 31, 2008 Rupees
General Reserve		
Opening Balance	29,79,87,812	18,02,51,314
Add : Transfer from Profit and Loss Account	12,91,08,090	11,77,36,498
	<b>42,70,95,902</b>	<b>29,79,87,812</b>
Capital Redemption Reserve		
Opening Balance	50,00,00,000	25,00,00,000
Add : Transfer from Profit and Loss Account	—	25,00,00,000
	<b>50,00,00,000</b>	<b>50,00,00,000</b>
Balance in Profit and Loss Account	158,55,50,067	86,79,83,405
<b>Total</b>	<b>251,26,45,969</b>	<b>166,59,71,217</b>

### Schedule 3

#### UNSECURED LOAN

	As at March 31, 2009 Rupees	As at March 31, 2008 Rupees
Short Term Loan from a Company	383,00,00,000	—
<b>Total</b>	<b>383,00,00,000</b>	<b>—</b>

**Schedule 4**  
**FIXED ASSETS**

Rupees

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at March 31, 2008	Additions	Deductions	As at March 31, 2009	As at March 31, 2008	For the Year	Deductions	As at March 31, 2009	As at March 31, 2009	As at March 31, 2008
Goodwill	66,83,08,050	—	—	66,83,08,050	16,70,77,010	3,34,15,402	—	20,04,92,412	46,78,15,638	50,12,31,040
Improvement of Rented Premises	15,82,23,893	13,24,30,033	1,28,21,423	27,78,32,503	7,67,86,243	4,49,29,987	1,28,21,424	10,88,94,806	16,89,37,697	8,14,37,650
Computer Equipment	7,40,53,001	1,19,76,778	17,33,941	8,42,95,838	4,65,52,700	1,25,72,633	16,87,877	5,74,37,456	2,68,58,382	2,75,00,301
Intangible Assets (Computer Software)	1,72,56,675	1,38,47,228	—	3,11,03,903	87,84,257	78,03,153	—	1,65,87,410	1,45,16,493	84,72,418
Office Equipment	7,97,23,635	6,61,02,754	24,87,235	14,33,39,154	2,93,19,938	2,58,88,933	24,13,661	5,27,95,210	9,05,43,944	5,04,03,697
Furniture & Fixtures	1,62,73,561	51,14,643	10,51,288	2,03,36,916	1,46,77,750	55,44,384	10,22,886	1,91,99,248	11,37,668	15,95,811
Electrical Installations	26,950	—	24,250	2,700	26,950	—	24,250	2,700	—	—
Vehicles	1,57,71,007	61,15,554	35,68,348	1,83,18,213	97,74,745	36,13,260	29,88,011	1,03,99,994	79,18,219	59,96,262
<b>Total</b>	102,96,36,772	23,55,86,990	2,16,86,485	124,35,37,277	35,29,99,593	13,37,67,752	2,09,58,109	46,58,09,236	77,77,28,041	67,66,37,179
<b>Previous Year</b>	90,57,95,360	12,84,19,462	45,78,050	102,96,36,772	26,11,48,332	9,61,54,345	43,03,084	35,29,99,593	67,66,37,179	

**Schedule 5**

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

As at  
March 31, 2009  
Rupees

As at  
March 31, 2008  
Rupees

**Investment in Debentures**

15,00,000 (Previous Year NIL) Zero Coupon Optionally Convertible Debentures of Rs. 100/- each in Mission Holdings Private Limited (Purchased 15,00,000 Debentures and Redeemed NIL Debentures during the Year)

**15,00,00,000** —

**Investment in Subsidiary Company**

75,000 (Previous Year NIL) fully paid up Equity Shares of SGD 1 each in HDFC Asset Management Company (Singapore) Pte. Ltd.

**24,82,000** —

**CURRENT INVESTMENTS**

**Investment in Pass Through Certificates (At Cost)**

**23,45,12,206** —

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

NIL Units (Previous Year 1,81,16,352) of Rs. 10 each in HDFC Monthly Income Plan - Long Term Plan (Dividend Plan) (Purchased 8,41,545 Units and Redeemed 1,89,57,897 Units during the Year)

— 19,90,07,726

20,96,166 Units (Previous Year 18,33,401) of Rs. 10 each in HDFC Growth Fund (Dividend Plan) (Purchased 2,62,765 Units and Redeemed NIL Units during the Year)

**6,07,75,414** 5,66,50,263

Carried forward

**44,77,69,620** 25,56,57,989

**Schedule 5 (Continued)****INVESTMENTS (Non Trade, Unquoted)****LONG TERM INVESTMENTS (At Cost)**

	As at March 31, 2009 Rupees	As at March 31, 2008 Rupees
Brought forward	<b>44,77,69,620</b>	25,56,57,989
23,29,110 Units (Previous Year 19,94,333) of Rs. 10 each in HDFC Prudence Fund (Dividend Plan) (Purchased 3,34,777 Units and Redeemed NIL Units during the Year)	<b>6,34,69,324</b>	5,84,83,491
1,11,65,126 Units (Previous Year 1,03,66,415) of Rs. 10 each in HDFC Arbitrage Fund - Wholesale Plan (Dividend Plan) (Purchased 7,98,711 Units and Redeemed NIL Units during the Year)	<b>11,16,54,117</b>	10,36,67,010
12,84,933 Units (Previous Year 11,19,149) of Rs. 10 each in HDFC Equity Fund (Dividend Plan) (Purchased 1,65,784 Units and Redeemed NIL Units during the Year)	<b>5,87,67,852</b>	5,54,10,404
12,90,862 Units (Previous Year 11,25,112) of Rs. 10 each in HDFC Top 200 Fund (Dividend Plan) (Purchased 1,65,750 Units and Redeemed NIL Units during the Year)	<b>5,84,16,472</b>	5,50,41,136
21,67,322 Units (Previous Year 18,32,238) of Rs. 10 each in HDFC Capital Builder Fund (Dividend Plan) (Purchased 3,35,084 Units and Redeemed NIL Units during the Year)	<b>5,93,50,725</b>	5,56,86,249
32,99,524 Units (Previous Year 32,99,524) of Rs. 10 each in HDFC Premier Multicap Fund (Dividend Plan)	<b>5,58,45,560</b>	5,58,45,560
23,83,904 Units (Previous Year 23,83,904) of Rs. 10 each in HDFC Core & Satellite Fund (Dividend Plan)	<b>5,00,00,000</b>	5,00,00,000
4,19,237 Units (Previous Year 7,21,91,874) of Rs. 10 each in HDFC Cash Management Fund-Treasury Advantage Plan (Dividend Plan) (Purchased 42,28,15,312 Units and Redeemed 49,45,87,949 Units during the Year)	<b>42,00,000</b>	72,34,36,088
NIL Units (Previous Year 83,94,741) of Rs. 10 each in HDFC Quarterly Interval Fund-Plan A - Wholesale Plan (Dividend Plan) (Purchased 1,98,871 Units and Redeemed 85,93,612 Units during the Year)	—	8,39,85,117
NIL Units (Previous Year 1,49,58,565) of Rs. 10 each in HDFC Quarterly Interval Fund-Plan B - Wholesale Plan (Dividend Plan) (Purchased 2,74,595 Units and Redeemed 1,52,33,160 Units during the Year)	—	15,00,00,000
NIL Units (Previous Year 1,01,49,096) of Rs. 10 each in HDFC Quarterly Interval Fund-Plan C - Wholesale Plan (Dividend Plan) (Purchased 1,94,948 Units and Redeemed 1,03,44,044 Units during the Year)	—	10,14,93,955
NIL Units (Previous Year 1,52,37,446) of Rs. 10 each in HDFC Liquid Fund - Premium Plus Plan (Dividend Plan) (Purchased 24,72,70,268 Units and Redeemed 26,25,07,714 Units during the Year)	—	18,92,74,625
NIL Units (Previous Year 1,00,00,000) of Rs. 10 each in HDFC FMP 90D January 08 - Wholesale Plan (Dividend Plan) (Purchased NIL units and Redeemed 1,00,00,000 Units during the Year)	—	10,00,00,000
Carried forward	<b>90,94,73,670</b>	2,03,79,81,624

**Schedule 5 (Continued)****INVESTMENTS (Non Trade, Unquoted)****LONG TERM INVESTMENTS (At Cost)**

	As at March 31, 2009 Rupees	As at March 31, 2008 Rupees
Brought forward	<b>90,94,73,670</b>	2,03,79,81,624
NIL Units (Previous Year 1,00,00,000) of Rs. 10 each in HDFC FMP 90D February 08 - Wholesale Plan (Dividend Plan) (Purchased NIL units and Redeemed 1,00,00,000 Units during the Year)	—	10,00,00,000
NIL Units (Previous Year 2,00,00,000) of Rs. 10 each in HDFC FMP 90D March 08 - Wholesale Plan (Dividend Plan) (Purchased NIL units and Redeemed 2,00,00,000 Units during the Year)	—	20,00,00,000
<b>Total</b>	<b>90,94,73,670</b>	233,79,81,624
Less: Provision for Diminution in the value of Investments in Schemes of Mutual Fund	<b>19,53,93,606</b>	3,77,89,760
<b>Total Investments</b>	<b>71,40,80,064</b>	230,01,91,864
<b>Repurchase Price of Investments in Schemes of Mutual Fund</b>	<b>32,70,85,858</b>	230,01,91,864

**Schedule 6****DEFERRED TAX**

	As at March 31, 2009 Rupees	As at March 31, 2008 Rupees
Deferred Tax Asset	<b>3,90,48,381</b>	5,66,75,094
Deferred Tax Liability	<b>(7,15,830)</b>	(8,07,432)
<b>Total</b>	<b>3,83,32,551</b>	5,58,67,662

**Schedule 7****SUNDRY DEBTORS**

(Unsecured, Considered good)

	As at March 31, 2009 Rupees	As at March 31, 2008 Rupees
Investment Management Fee Receivable (less than six months)	<b>9,56,92,898</b>	4,48,75,787
Portfolio Management Fee Receivable		
– Over six months	<b>1,36,96,303</b>	1,00,73,075
– Others	<b>3,66,45,458</b>	8,40,47,609
<b>Total</b>	<b>5,03,41,761</b>	9,41,20,684
<b>Total</b>	<b>14,60,34,659</b>	13,89,96,471



**Schedule 8****CASH AND BANK BALANCES**

	As at March 31, 2009 Rupees	As at March 31, 2008 Rupees
Balance with Scheduled Banks:		
In Current Account	97,53,402	1,94,53,393
In Deposit Account	7,27,229	5,59,348
<b>Total</b>	<b>1,04,80,631</b>	<b>2,00,12,741</b>

**Schedule 9****OTHER CURRENT ASSETS**

	As at March 31, 2009 Rupees	As at March 31, 2008 Rupees
Secured, considered good		
- Interest accrued on Investments	5,31,84,476	—
- Interest accrued on Loans	8,77,97,215	—
Unsecured, considered good		
- Interest accrued on Fixed Deposit	12,444	15,661
<b>Total</b>	<b>14,09,94,135</b>	<b>15,661</b>

**Schedule 10****LOANS AND ADVANCES**

	As at March 31, 2009 Rupees	As at March 31, 2008 Rupees
Secured, considered good		
- Loans to Corporates	465,50,00,000	—
Unsecured, considered good		
- Sundry Deposits	13,96,75,372	12,32,68,111
- Advance Payment of Taxes	197,12,75,714	122,54,82,289
- Advances recoverable in cash or in kind or for value to be received	80,12,21,295	103,03,29,718
<b>Total</b>	<b>756,71,72,381</b>	<b>237,90,80,118</b>

**Schedule 11****CURRENT LIABILITIES**

	As at March 31, 2009 Rupees	As at March 31, 2008 Rupees
Sundry Creditors	60,83,99,131	119,26,65,776
Other Liabilities	18,26,27,791	76,53,32,453
<b>Total</b>	<b>79,10,26,922</b>	<b>195,79,98,229</b>

**Schedule 12**  
**PROVISIONS**

	As at March 31, 2009 Rupees	As at March 31, 2008 Rupees
For Taxation	<b>192,26,14,806</b>	121,05,23,650
For Others (see note 11)	<b>88,50,000</b>	9,28,47,594
Proposed Equity Dividend	—	37,74,15,000
Income-tax on Proposed Equity Dividend	—	6,41,41,679
<b>Total</b>	<b>193,14,64,806</b>	<b>174,49,27,923</b>

**Schedule 13**  
**MANAGEMENT FEE**

	For the year ended March 31, 2009 Rupees	For the year ended March 31, 2008 Rupees
Investment Management Fee (Tax Deducted at Source Rs. 38,92,97,382; Previous Year Rs. 30,89,55,713)	<b>306,58,85,135</b>	256,98,67,436
Portfolio Management Fee (Tax Deducted at Source Rs. 99,88,203; Previous Year Rs. 4,06,39,820)	<b>97,39,61,080</b>	49,21,02,574
<b>Total</b>	<b>403,98,46,215</b>	<b>306,19,70,010</b>

**Schedule 14**  
**INTEREST**

	For the year ended March 31, 2009 Rupees	For the year ended March 31, 2008 Rupees
On Investments (Tax Deducted at Source Rs. 4,02,97,137; Previous Year Rs. NIL)	<b>27,83,66,460</b>	—
On Loans (Tax Deducted at Source Rs. 82,37,706; Previous Year Rs. NIL)	<b>4,11,68,900</b>	—
On Fixed Deposit	<b>13,485</b>	18,950
<b>Total</b>	<b>31,95,48,845</b>	<b>18,950</b>

**Schedule 15**  
**OTHER INCOME**

	For the year ended March 31, 2009 Rupees	For the year ended March 31, 2008 Rupees
Profit on Sale of Fixed Assets (net)	<b>11,27,187</b>	4,04,135
Miscellaneous Income (Tax Deducted at Source Rs. 1,51,067; Previous Year Rs. NIL)	<b>5,01,26,302</b>	1,79,96,648
<b>Total</b>	<b>5,12,53,489</b>	<b>1,84,00,783</b>

**Schedule 16****STAFF EXPENSES**

	For the year ended March 31, 2009 Rupees	For the year ended March 31, 2008 Rupees
Salaries, Allowances and Bonus	<b>64,34,46,463</b>	50,28,45,602
Contribution to Provident and Other Funds	<b>3,17,74,585</b>	1,79,68,237
Staff Welfare and Training Expenses	<b>1,18,59,706</b>	2,02,12,192
Recruitment Expenses	<b>43,34,262</b>	62,41,024
<b>Total</b>	<b>69,14,15,016</b>	<b>54,72,67,055</b>

**Schedule 17****ADMINISTRATIVE AND OTHER EXPENSES**

	Rupees	For the year ended March 31, 2009 Rupees	For the year ended March 31, 2008 Rupees
Brokerage / Incentives / Fees		<b>44,46,77,165</b>	13,54,14,930
Scheme Launch Expenses		<b>10,82,09,458</b>	16,60,65,654
Business Promotion		<b>2,34,39,240</b>	2,97,15,171
Rent (net) (Tax Deducted at Source Rs. 4,99,591; Previous Year Rs. 7,48,174)		<b>20,69,49,855</b>	13,28,30,628
Printing and Courier		<b>2,50,24,845</b>	1,93,30,925
Travel and Conveyance		<b>3,60,55,100</b>	3,50,14,255
Communication Expenses		<b>2,67,78,648</b>	2,12,23,785
Subscription and Membership Fees		<b>1,05,68,990</b>	1,21,26,207
Professional and Legal Fees		<b>2,58,31,055</b>	1,50,31,289
Repair and Maintenance		<b>9,71,79,507</b>	5,36,38,532
Outsourced Services Cost		<b>13,45,49,566</b>	9,63,82,447
Insurance Expenses		<b>75,66,500</b>	68,11,519
Auditors Remuneration:			
Audit Fee	<b>6,00,000</b>		5,00,000
Audit Fee - PMS Business	<b>17,17,250</b>		12,16,859
Tax Audit Fee	<b>50,000</b>		50,000
Taxation Matters	<b>3,19,875</b>		1,78,752
Service Tax on Fees	<b>—</b>		90,073
Reimbursement of Expenses	<b>74,321</b>		73,022
Other Services	<b>2,70,090</b>		13,97,058
		<b>30,31,536</b>	35,05,764
Directors Sitting Fee		<b>28,80,000</b>	21,80,000
Donations		<b>3,34,000</b>	27,06,000
Wealth Tax		<b>84,930</b>	65,888
(Profit) / Loss on Sale of Investments (net)		<b>1,80,57,158</b>	(27,76,092)
Provision for Diminution in the Value of Investments		<b>15,76,03,847</b>	3,77,89,760
Miscellaneous Expenses		<b>3,02,56,385</b>	2,11,10,573
<b>Total</b>		<b>135,90,77,785</b>	<b>78,81,67,235</b>

## Schedule 18

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2009

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### 1.1 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.

##### 1.2 Income Recognition

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

##### 1.3 Fixed Assets

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

##### 1.4 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

Based on the Management's estimate, since the benefit of acquisition is perpetual, 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 20 years.

##### 1.5 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.

**Schedule 18 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2009****1.6 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.

**1.7 Brokerage**

Brokerage paid over and above the entry load collected on investment in Equity Linked Saving Schemes is amortised over a period of 36 months and recovered from the respective schemes within the overall limits prescribed by the Securities and Exchange Board of India.

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 the Life Insurance Corporation of India (LIC). The net present value of the Company's obligation towards gratuity to employees is actuarially determined by the LIC based on the projected unit credit method. Actuarial gains and losses are immediately recognised 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.

**2. Contingent Liabilities**

Disputed Income Tax demand Rs. 10,94,532 (Previous Year Rs. 28,98,203).

**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, who have registered with the competent authorities.

**Schedule 18 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2009**

(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. 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.

**5. 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	<b>1,84,42,396</b>	1,24,49,573

**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 the Life Insurance Corporation of India.

**Schedule 18 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2009**

(Amount in Rupees)

Particulars	Current Year	Previous Year
<b>Change in the Defined Benefit Obligations:</b>		
Liability at the beginning of the Year	1,41,90,134	1,23,62,951
Current Service Cost	44,40,221	44,00,323
Interest Cost	11,35,211	9,89,036
Benefits Paid	(24,04,100)	(6,28,000)
Actuarial (Gain) / Loss	56,82,740	(29,34,176)
<b>Liability at the end of the Year</b>	<b>2,30,44,206</b>	<b>1,41,90,134</b>
<b>Fair Value of Plan Assets:</b>	<b>Current Year</b>	<b>Previous Year</b>
Fair Value of Plan Assets at the beginning of the Year	1,28,07,831	83,36,404
Expected Return on Plan Assets	15,94,292	10,72,880
Contributions	58,10,078	40,26,547
Benefits Paid	(24,04,100)	(6,28,000)
Actuarial Loss on Plan Assets	—	—
<b>Fair Value of Plan Assets at the end of the Year</b>	<b>1,78,08,101</b>	<b>1,28,07,831</b>
<b>Actual Return on Plan Assets:</b>	<b>Current Year</b>	<b>Previous Year</b>
Expected Return on Plan Assets	15,94,292	10,72,880
Actuarial Gain / (Loss) on Plan Assets	—	—
<b>Actual Return on Plan Assets</b>	<b>15,94,292</b>	<b>10,72,880</b>
<b>Amount Recognised in the Balance Sheet:</b>	<b>Current Year</b>	<b>Previous Year</b>
Liability at the end of the Year	2,30,44,206	1,41,90,134
Fair Value of Plan Assets at the end of the Year	1,78,08,101	1,28,07,831
<b>Amount recognised in the Balance Sheet under "Provisions"</b>	<b>52,36,105</b>	<b>13,82,303</b>
<b>Expense Recognised in the Profit and Loss Account:</b>	<b>Current Year</b>	<b>Previous Year</b>
Current Service Cost	44,40,221	44,00,323
Interest Cost	11,35,211	9,89,036
Expected Return on Plan Assets	(15,94,292)	(10,72,880)
Net Actuarial (Gain) / Loss to be Recognised	56,82,740	(29,34,176)
<b>Expense recognised in the Profit and Loss Account under "Staff Expenses"</b>	<b>96,63,880</b>	<b>13,82,303</b>

**Schedule 18 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2009**

(Amount in Rupees)

<b>Net Actuarial Gain / (Loss) recognised</b>	<b>Current Year</b>	<b>Previous Year</b>
Actuarial (Gain) / Loss on plan assets	—	—
Actuarial (Gain) / Loss on defined benefit obligation	<b>56,82,740</b>	(29,74,074)
<b>Net actuarial loss recognised</b>	<b>56,82,740</b>	(29,74,074)

**Investment Pattern:**

<b>Particulars</b>	<b>% Invested</b>	
	<b>Current Year</b>	<b>Previous Year</b>
Central Government Securities	<b>56.09</b>	63.28
State Government Securities	<b>11.18</b>	13.57
Approved Marketable Securities	<b>2.96</b>	0.24
Bonds/Debentures etc.	<b>22.03</b>	17.67
Loans	<b>0.36</b>	0.47
Equity	<b>5.66</b>	2.43
Liquid Fund/Money Market Instrument	<b>1.72</b>	2.34
<b>Total</b>	<b>100.00</b>	100.00

**Actuarial Assumptions:**

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

<b>Particulars</b>	<b>Current Year</b>	<b>Previous Year</b>
Discount Rate	<b>8.00% p.a.</b>	8.00% p.a.
Return on Plan Assets	<b>9.25% p.a.</b>	9.15% p.a.
Compensation Escalation Rate	<b>4.00% p.a.</b>	4.00% p.a.
Average Age	<b>30.54 Years</b>	30.14 Years

**6. 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 recognised ‘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.



**Schedule 18 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2009**

The basis of reporting is as follows:

1. Revenue and expenses distinctly identifiable to a segment are recognised 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 categorised 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.

(Amount in Rupees)

	Mutual Fund		Portfolio Management		Total	Total
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Segment Revenue</b>						
Management Fees	<b>306,58,85,135</b>	256,98,67,436	<b>97,39,61,080</b>	49,21,02,574	<b>403,98,46,215</b>	306,19,70,010
Inter Segment Revenue	—	—	—	—	—	—
<b>Total Segment Revenue</b>	<b>306,58,85,135</b>	256,98,67,436	<b>97,39,61,080</b>	49,21,02,574	<b>403,98,46,215</b>	306,19,70,010
Identifiable Operating Expenses	<b>106,87,89,522</b>	81,41,87,268	<b>43,73,67,887</b>	18,40,39,425	<b>150,61,57,409</b>	99,82,26,693
<b>Segmental Operating Income</b>	<b>199,70,95,613</b>	175,56,80,168	<b>53,65,93,193</b>	30,80,63,149	<b>253,36,88,806</b>	206,37,43,317
Unallocable Expenses					<b>97,85,05,884</b>	43,33,61,942
<b>Operating Income</b>					<b>155,51,82,922</b>	163,03,81,375
Other Income					<b>46,77,58,091</b>	13,81,96,677
<b>Net Profit Before Taxation</b>					<b>202,29,41,013</b>	176,85,78,052
Provision For Income Tax					<b>70,94,00,000</b>	56,68,97,760
Deferred Tax Expense					<b>1,75,35,111</b>	1,81,65,314
Fringe Benefit Tax					<b>49,25,000</b>	61,50,000
<b>Net Profit After Tax</b>					<b>129,10,80,902</b>	117,73,64,978
<b>Segment Assets And Liabilities</b>						
Segment Assets	<b>31,48,26,382</b>	38,17,10,263	<b>59,75,09,052</b>	75,92,76,638	<b>91,23,35,434</b>	114,09,86,901
Unallocated Assets					<b>848,72,25,777</b>	448,52,98,500
<b>Total Assets</b>					<b>939,95,61,211</b>	562,62,85,401
Segment Liabilities	<b>29,30,04,282</b>	59,40,77,888	<b>24,41,55,900</b>	127,15,45,821	<b>53,71,60,182</b>	186,56,23,709
Unallocated Liabilities					<b>601,60,47,376</b>	183,81,09,875
<b>Total Liabilities</b>					<b>655,32,07,558</b>	370,37,33,584
Capital Expenditure	—	—	—	—	<b>23,55,86,990</b>	12,84,19,462
Depreciation	—	—	—	—	<b>13,37,67,752</b>	9,61,54,345

**7. 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 | : HDFC Developers Limited<br>HDFC Investments Limited |

**Schedule 18 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2009**

HDFC Holdings Limited  
HDFC Trustee Company Limited  
HDFC Standard Life Insurance Company Limited  
HDFC Realty Limited  
GRUH Finance Limited  
HDFC ERGO General Insurance Company Limited  
HDFC Sales Private Limited  
HDFC Venture Capital Limited  
HDFC Ventures Trustee Company Limited  
HDFC Property Ventures Limited  
Griha Investments

- D) Entities over which Holding Company exercises control : HDFC IT Corridor Fund  
HDFC Investment Trust
- E) Subsidiary Company : HDFC Asset Management Company (Singapore) Pte. Ltd.
- F) Key Management Personnel : Mr. Milind Barve, Managing Director

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

(Amount in Rupees)

Particulars	Holding Company	Investing Party	Fellow Subsidiaries*	Subsidiary Company
<b>INCOME</b>				
Management Fees	—	<b>69,79,402</b>	<b>2,93,40,000</b>	—
	—	(61,94,730)	(4,14,00,000)	—
Interest on Deposit	—	—	—	—
	—	—	(10,131)	—
<b>EXPENDITURE</b>				
Rent	<b>4,42,81,640</b>	—	—	—
	(2,81,37,582)	—	—	—
Interest	<b>30,04,02,739</b>	—	—	—
	—	—	—	—
Advisory Fee	<b>20,19,73,204</b>	—	—	—
	(2,56,21,327)	—	—	—
Technology Support Cost	<b>1,15,21,150</b>	—	—	—
	(98,50,565)	—	—	—
Establishment Expenses	—	—	—	—
	(13,46,950)	—	—	—
Administrative & Other Expenses	<b>30,13,630</b>	—	—	—
	(24,40,347)	—	—	—
Insurance Premium	—	—	<b>28,68,683</b>	—
	—	—	(26,97,857)	—
Staff Training	—	—	—	—
	—	—	(1,50,000)	—
Preference Dividend	—	—	—	—
	(1,03,21,973)	(1,02,80,767)	—	—

**Schedule 18 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2009**

Particulars	Holding Company	Investing Party	Fellow Subsidiaries*	Subsidiary Company
<b>ASSETS</b>				
Investment	—	—	—	<b>24,82,000</b>
	—	—	—	—
Deposit	—	—	<b>73,776</b>	—
	—	—	(11,604)	—
Account Receivable	—	<b>35,07,917</b>	<b>3,56,61,975</b>	—
	—	(61,94,730)	(3,79,65,167)	—
Insurance Premium	—	—	<b>17,58,202</b>	—
	—	—	(17,86,582)	—
Administrative & Other Expenses	<b>4,388</b>	—	—	—
	(12,163)	—	—	—
<b>LIABILITIES</b>				
Loans	<b>383,00,00,000</b>	—	—	—
	—	—	—	—
Interest Accrued But Not Due	<b>12,08,38,356</b>	—	—	—
	—	—	—	—
Account Payable	<b>22,75,94,531</b>	—	—	—
	(2,56,35,627)	—	(1,50,000)	—
Proposed Equity Dividend	—	—	—	—
	(22,64,49,000)	(15,09,66,000)	—	—
<b>OTHER TRANSACTIONS</b>				
Interim Equity Dividend Paid	<b>22,64,49,000</b>	<b>15,09,66,000</b>	—	—
	—	—	—	—

Remuneration to Key Management Personnel **Rs. 3,67,21,557** (Previous Year Rs. 3,55,57,865). Reimbursement of Expenses amounting to **Rs. 7,14,429** (Previous Year Rs. 2,93,334) to the Holding Company is not considered above.

**Schedule 18 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2009**

\*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	HDFC Property Ventures Limited
Management Fees	—	<b>2,92,50,000</b>	<b>90,000</b>	—
	—	(3,90,00,000)	(24,00,000)	—
Interest on Deposit	—	—	—	—
	—	(10,131)	—	—
Insurance Premium	—	<b>11,86,090</b>	<b>16,82,593</b>	—
	—	(8,07,358)	(18,90,499)	—
Staff Training	—	—	—	—
	—	—	—	(1,50,000)
Deposit	—	<b>73,776</b>	—	—
	—	(11,604)	—	—
Account Receivable	<b>3,56,61,975</b>	—	—	—
	(2,58,15,167)	(97,50,000)	(24,00,000)	—
Prepaid Insurance	—	<b>13,044</b>	<b>17,45,158</b>	—
Premium	—	(8,831)	(17,77,751)	—
Account Payable	—	—	—	—
	—	—	—	(1,50,000)

Figures in bracket pertain to the Previous Year.

**8. Operating Leases**

The Company has entered into non-cancelable leasing arrangements for certain official and residential premises generally for a period of 36 months. The total lease payments recognised in the Profit and Loss Account towards the said leases amount to **Rs. 7,70,56,728** (Previous Year Rs. 5,99,31,597).

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>4,92,65,688</b>	7,63,05,733
Later than one year but not later than five years	<b>1,66,13,014</b>	6,41,35,076
Later than five years	<b>Nil</b>	Nil

**9. 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 **Rs.129,10,80,902** (Previous Year Rs. 117,73,64,978) has been adjusted for preference dividend & tax thereon of **Rs. Nil** (Previous Year Rs. 2,41,04,176) and short provision of income tax for earlier years of **Rs. 28,49,471** (Previous Year Rs. Nil).

**Schedule 18 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2009**

Accordingly, the basic earnings per equity share has been calculated based on the adjusted net profit after tax of **Rs.128,82,31,431** (Previous Year Rs. 115,32,60,802) and weighted average number of equity shares outstanding during the year amounting to **2,51,61,000** (Previous Year 2,51,61,000).

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

(Amount in Rupees)

	Current Year	Previous Year
Nominal value per share	<b>10.00</b>	10.00
Basic earnings per share	<b>51.20</b>	45.84
Effect of potential equity shares for stock options (per share)	<b>(0.08)</b>	(0.01)
Diluted earnings per share	<b>51.12</b>	45.83

(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	<b>2,51,61,000</b>	2,51,61,000
Effect of potential equity shares for stock options outstanding	<b>38,041</b>	398
Weighted average number of equity shares used in computing diluted earnings per equity share	<b>2,51,99,041</b>	2,51,61,398

**10. 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 **Rs. 1,75,35,111** (Previous Year Rs. 1,81,65,314) 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, 2008	For the Year	As on March 31, 2009
<b>Assets</b>			
Depreciation	2,51,16,197	<b>1,09,24,069</b>	<b>3,60,40,266</b>
Others	3,15,58,897	<b>(2,85,50,782)</b>	<b>30,08,115</b>
Total	5,66,75,094	<b>(1,76,26,713)</b>	<b>3,90,48,381</b>
<b>Liabilities</b>			
Others	8,07,432	<b>(91,602)</b>	<b>7,15,830</b>
Net Deferred Tax Asset (Adjustment)	5,58,67,662	<b>(1,75,35,111)</b>	<b>3,83,32,551</b>

**Schedule 18 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2009****11. Provisions**

In compliance with the Accounting Standard on “Provisions, Contingent Liabilities and Contingent Assets” (AS-29) issued by the Institute of Chartered Accountants of India, balance under ‘Provision for Others’ represents provision made by the Company for Staff Related Benefits, expected payout of which is in the next year.

(Amount in Rupees)

Carrying Amount as at April 1, 2008	Additions during the year	Amounts used during the year	Amounts reversed during the year	Carrying Amount as at March 31, 2009
9,28,47,594	—	7,99,92,594	40,05,000	88,50,000

12. 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 Rs.390/- per option under ESOS 2008 – Series I, representing 5,24,000 equity shares of Rs.10/- each and 10,76,000 stock options at an exercise price of Rs.750/- per option under ESOS 2008 – Series II, representing 10,76,000 equity shares of Rs. 10/- each to few employees of the Company. The fair value of the Company’s underlying equity shares was determined in accordance with the pricing formula approved by the Remuneration Committee 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 the Schemes, the options would vest over a period of 3-4 years from the date of grant. The options can be exercised over a period of five years from the date of respective vesting.

**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 of the Company. 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 Rs.360/-. Options under ESOS 2008 – Series II were granted at the fair value of the underlying equity shares of the Company.

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

	No. of options			
	Current Year		Previous Year	
	Series I	Series II	Series I	Series II
Outstanding at the beginning of the year	5,24,000	10,76,000	Nil	Nil
Granted during the year	Nil	Nil	5,24,000	10,76,000
Exercised during the year	Nil	Nil	Nil	Nil
Lapsed during the year	32,000	30,000	Nil	Nil
Outstanding at the end of the year	4,92,000	10,46,000	5,24,000	10,76,000
Exercisable at the end of the year	Nil	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 18 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2009**

The key assumptions used in Black-Scholes model for calculating fair value as on the date of grant are: (a) risk-free interest rate: 7.03%-7.22% p.a; (b) expected life: 4-6 years; (c) expected volatility: 0% and (d) dividend yield: 1.97% p.a. The weighted average fair value of the option, as on the date of grant works out to Rs.407/- per option for Series I and Rs.155/- per option for Series II.

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)

	Current Year	Previous Year
Adjusted Net Profit (as reported)	<b>128,82,31,431</b>	115,32,60,802
Add: Stock-based employee compensation expense included in the net income (Gross <b>Rs. 7,71,27,083</b> ; Previous Year Rs. 49,70,600)	<b>5,09,11,588</b>	32,81,093
Less: Stock-based employee compensation expense determined under fair value based method (Gross <b>Rs. 15,79,51,458</b> ; Previous Year Rs. 1,00,14,135) (pro forma)	<b>10,42,63,758</b>	66,10,331
Net Profit (pro forma)	<b>123,48,79,261</b>	114,99,31,564

(Amount in Rupees)

	Current Year	Previous Year
Basic earning per share (as reported)	<b>51.20</b>	45.84
Basic earning per share (pro forma)	<b>49.08</b>	45.70
Diluted earning per share (as reported)	<b>51.12</b>	45.83
Diluted earning per share (pro forma)	<b>49.04</b>	45.70

13. During the year, the Company has revised its policy on the amortisation of upfront brokerage paid on investment in certain debt and equity schemes (other than Equity Linked Saving Schemes). Had there been no such change, the brokerage expense would have been lower by Rs. 6,48,31,414 and the profit before tax for the year and the prepaid expenses would have been higher by the same amount.

14. During the year, 1,950 13.25% Non Convertible Debentures of K Raheja Universal Corporation Private Limited were purchased and redeemed for Rs. 193,99,19,450 and Rs. 195,00,00,000 respectively.

**15. Income in foreign currency**

(Amount in Rupees)

	Current Year	Previous Year
Investment Advisory Fee	<b>3,53,79,554</b>	5,26,88,115
Interest Income	<b>13,485</b>	18,950

**16. Payments in foreign currency**

## A) Expenditure

(Amount in Rupees)

	Current Year	Previous Year
i) Staff Training Expenses	<b>8,90,094</b>	6,85,383
ii) Travelling Expenses	<b>5,76,698</b>	3,62,982
iii) Overseas Representative Office Expenses	<b>89,54,234</b>	73,17,884

**Schedule 18 (Continued)****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2009**

## B) Dividend

(Amount in Rupees)

	Current Year	Previous Year
i) Final Dividend on Equity Shares		
(a) Year to which the dividend relates	<b>2007-08</b>	2006-07
(b) Number of non-resident shareholders	<b>1</b>	1
(c) Number of Shares held	<b>1,00,64,400</b>	1,25,55,339
(d) Amount Remitted (Gross)	<b>15,09,66,000</b>	5,02,21,356
ii) Interim Dividend on Equity Shares		
(a) Year to which the dividend relates	<b>2008-09</b>	—
(b) Number of non-resident shareholders	<b>1</b>	—
(c) Number of Shares held	<b>1,00,64,400</b>	—
(d) Amount Remitted (Gross)	<b>15,09,66,000</b>	—
iii) Dividend on Preference Shares		
(a) Year to which the dividend relates	—	2007-08
(b) Number of non-resident shareholders	—	1
(c) Number of Shares held	—	24,95,000
(d) Amount Remitted (Gross)	—	4,10,137
iv) Dividend on Preference Shares		
(a) Year to which the dividend relates	—	2007-08
(b) Number of non-resident shareholders	—	1
(c) Number of Shares held	—	99,80,000
(d) Amount Remitted (Gross)	—	98,70,630

**17. Managerial Remuneration**

Remuneration to the Managing Director:

(Amount in Rupees)

	Current Year	Previous Year
Salary & Allowances (incl. Perquisites)	<b>3,56,23,557</b>	3,47,64,865
Contribution to Retirement benefits	<b>10,98,000</b>	7,93,000

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

**18. Capital Commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is **Rs. 1,15,73,928** (Previous Year Rs. 6,94,09,931).

**19. Prior Period Comparatives**

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



**20. 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.

As per our report attached  
**For Haribhakti & Co.**  
Chartered Accountants

**Chetan Desai**  
Partner

MUMBAI, April 23, 2009

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**

**Sylvia Furtado**  
Company Secretary

**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 0 9

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

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

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

Total Liabilities

9 3 9 8 8 4 5

Total Assets

9 3 9 8 8 4 5

**SOURCES OF FUNDS**

Paid-up Capital

2 5 1 6 1 0

Reserves and Surplus

2 5 9 4 7 4 4

Secured Loans

N I L

Unsecured Loans

3 8 3 0 0 0 0

**APPLICATION OF FUNDS**

Net Fixed Assets

7 8 1 7 5 1

Investments

7 1 4 0 8 0

Net Current Assets

5 1 8 0 5 2 3

Miscellaneous Expenditure

N I L

Accumulated Losses

N I L

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

Total Income

4 5 0 7 6 0 4

Total Expenditure

2 4 8 4 6 6 3

Profit Before Tax

2 0 2 2 9 4 1

Profit After Tax

1 2 9 1 0 8 1

Earnings per Share (in Rs.)

5 1 . 2 0

Dividend Rate %

1 5 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, 2009
Number of shares of the subsidiary company held by HDFC Asset Management Company Limited	75,000
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, 2009	Nil
(b) For previous financial years of the subsidiary since it became subsidiary of HDFC Asset Management Company Limited	Not Applicable
(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, 2009 – Loss	18,58,878
(b) For previous financial years of the subsidiary since it became subsidiary of HDFC Asset Management Company Limited	Not Applicable

As per our report attached

**For Haribhakti & Co.**  
Chartered Accountants

**Chetan Desai**  
Partner

MUMBAI, April 23, 2009

For and on behalf of the Board

**Deepak S. Parekh**  
Chairman

**Milind Barve**  
Managing Director

**Rahul Bhandari**  
Chief Financial Officer

Directors

**Keki M. Mistry**  
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**Vijay Merchant**  
**Renu Sud Karnad**  
**P. M. Thampi**  
**Rajeshwar Raj Bajaj**  
**Humayun Dhanrajgir**

**Sylvia Furtado**  
Company Secretary