

HDFC Asset Management Company Limited

A Subsidiary of Housing Development Finance Corporation Limited

FOURTEENTH ANNUAL REPORT 2012-13

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. 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 No. : 022-2204 4304

Directors' Report

TO THE MEMBERS

Your directors have the pleasure in presenting the Fourteenth Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2013.

Financial Results

	For the year ended March 31, 2013 (₹ in Crores)	For the year ended March 31, 2012 (₹ in Crores)
Profit before Tax	446.82	381.49
Provision for Tax (Net Deferred Tax)	128.06	112.33
Short provision of Income Tax for earlier years (net)	0.01	0.02
Profit after Tax	318.75	269.14
Balance brought forward from previous year	487.15	404.16
Profit available for appropriation	805.90	673.30
General Reserve	31.88	26.92
Capital Redemption Reserve	0.48	0.50
Transfer to Corporate Social Responsibility Account	—	5.00
Buy-back of Equity Shares	54.42	57.19
Interim Equity Dividend Paid	111.06	83.06
Tax on Interim Equity Dividend Paid	18.03	13.48
Proposed Equity Dividend	—	—
Tax on Proposed Equity Dividend	—	—
Balance carried to Balance Sheet	590.03	487.15

For the year ended March 31, 2013, the Company posted a net profit of ₹ 318.75 crores as against ₹ 269.14 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 ₹ 44/- per equity share in the month of March 2013 and the same is confirmed as Final Dividend for the financial year ended March 31, 2013.

Allotment of equity shares:

During the Financial year ended March 31, 2013, the Company allotted 555300 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 meeting held on February 6, 2013 approved the buy back of equity shares of the Company from the shareholders of the Company through

Tender offer. The buy-back offer was completed within the time limits as prescribed under the Companies Act, 1956 and 484650 equity shares of the Company were bought by the Company under the buy-back offer. The present paid up capital post the buy-back offer is ₹ 25,24,08,000/-

Review of Operations

Your Directors are pleased to report that: -

The Average Assets under Management (AAuM) during the financial year 2012-13 were ₹ 98,375 crore as against AAuM of ₹ 90,590 crore in financial year 2011-2012, which is an increase of 8.59% over previous financial year and is inline with that of the industry which grew by 8.55% over the corresponding period. HDFC Mutual Fund (HDFCMF) retained its position during the current year as the largest fund house.

During the year, the total number of accounts managed by HDFCMF is around 49.43 lac as on March 31, 2013. The number of Investor Service Centres (ISCs) of the AMC as on March 31, 2013 was at 137 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 (196 as on March 31, 2013) supplement the investor-servicing network of your company. With these offices, your company services investors in almost 200 cities pan India.

During the financial year, the aggregate assets under investment management /advisory services under Portfolio Management Services were at ₹ 2,162.17 crore as on March 31, 2013. Discretionary

Portfolio Management is provided to High Networth Individuals and Corporate(s) on a segregated basis while advisory services are provided to Institutional Investors and Corporate(s).

Your company under Portfolio Management Services had offered "HDFC AMC PMS - Real Estate Portfolio - 1" to resident individuals and corporate(s) during 2007-2008. The company had received commitments of ₹ 3,831 Crores from 10,168 clients. Your company has successfully exited investments to the tune of ₹ 1,482.43 Crores till 31st March 2013.

New Initiative

In line with the SEBI circular, your company has undertaken new initiatives to penetrate beyond top 15 cities and promote HDFC Mutual Fund across the country. During the period October 1, 2012 to March 31, 2013, the AMC has opened 20 ISCs/ Business Centre in beyond top 15 cities.

New Scheme Launched under HDFC Mutual Fund

Government of India in the Union Budget 2012-13 announced a tax saving scheme named Rajiv Gandhi Equity Savings Scheme, 2012 (RGESS). As per Section 80CCG of the Income-tax Act, 1961, investments made by new retail investor in this Scheme will qualify for a 50% deduction of the actual amount invested from the taxable income of the financial year.

HDFC Mutual Fund launched its maiden HDFC Rajiv Gandhi Equity Savings Scheme - Series 1 - February 2013 on 18th February 2013. It is a Close Ended Equity Scheme investing in Eligible Securities as per Rajiv

Gandhi Equity Savings Scheme, 2012. The scheme matures after three years from the date of allotment of units and the units are compulsorily redeemed on the maturity date. The investment objective of the Scheme is to generate long term capital appreciation from a portfolio of Eligible Securities as specified in Rajiv Gandhi Equity Savings Scheme. HDFC Mutual Fund received an encouraging response to the NFO collecting over 12000 applications and mobilized over ₹ 105 crore in the NFO.

Awards

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

1) OUTLOOK MONEY AWARDS 2012

❖ HDFC AMC won the "Best Fund House of the Year" award.

❖ HDFC AMC won the "Best Equity Fund House of the Year" award.

❖ Chirag Setalvad was adjudged Runner - up in the "Best Equity Fund Manager category".

2) LIPPER FUND AWARDS 2012

❖ HDFC AMC won the "Best Mixed Assets" award by Lipper for 2012.

❖ HDFC AMC won the "Best Overall" award by Lipper for 2012.

3) MORNINGSTAR FUND AWARDS 2013

❖ HDFC AMC won the "Best Equity Fund House" by Morningstar India for the fourth year in a row since 2010.

❖ HDFC AMC won the "Best Multi-Asset Fund House" by Morningstar India for the third straight year.

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

1) BUSINESS STANDARD ANNUAL AWARDS 2012

❖ Mr. Prashant Jain won the “**Fund Manager of the Year – Equity**” Award for the year 2012.

2) LIPPER FUND AWARDS 2012

❖ HDFC Prudence Fund-Growth was awarded “**Best Fund over Three Years**” in Mixed Asset INR Aggressive Asset Class at the Lipper Fund Awards 2012.

❖ HDFC Prudence Fund-Growth was awarded “**Best Fund over Ten Years**” in Mixed Asset INR Aggressive Asset Class at the Lipper Fund Awards 2012.

❖ HDFC Children’s Gift Fund – Investment Plan was awarded “**Best Fund over Three Years**” in Mixed Asset INR Balanced Asset Class at the Lipper Fund Awards 2012.

❖ HDFC Balanced Fund – Growth was awarded “**Best Fund over Five Years**” in Mixed Asset INR Balanced Asset Class at the Lipper Fund Awards 2012.

❖ HDFC Children’s Gift Fund – Savings Plan was awarded “**Best Fund over Three Years**” in Mixed Asset INR Conservative Asset Class at the Lipper Fund Awards 2012.

❖ HDFC Children’s Gift Fund – Savings Plan was awarded “**Best Fund over Five Years**” in Mixed Asset INR Conservative Asset Class at the Lipper Fund Awards 2012.

3) MORNINGSTAR FUND AWARDS 2013

❖ HDFC Balanced Fund won the “**Best Moderate Allocation Fund**” by Morningstar India for the second time after 2011.

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

1) CNBC AWAAZ REAL ESTATE AWARDS 2012

❖ HDFC AMC PMS – REAL ESTATE PORTFOLIO - I won the “**Best Real Estate Fund Award**” for the year by CNBC Awaaz.

Please refer to the websites of the respective organizations for further information on the Ranking Methodology/Disclaimers, etc for the abovementioned Awards.

Review of the subsidiary company

The AMC had incorporated a wholly owned subsidiary Company viz. HDFC Asset Management Company (Singapore) Pte. Ltd. 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 paid up capital of Company was Singapore \$1,25,000.

The company has not procured any license from Monetary Authority of Singapore (MAS) and is not operational since incorporation. It was therefore proposed to wind up the subsidiary by way of striking off the name of the subsidiary from the Accounting & Corporate Regulatory Authority (ACRA) of Singapore. The application for the same was made to ACRA in February 2013.

Directors

In accordance with the Companies Act, 1956 and the Articles of Association of the Company, Mr. Hoshang Billimoria, Mr. Humayun Dhanrajgir, Mr. P. M. Thampi and Mr. James Aird, Directors, retire by rotation at the ensuing Annual General Meeting. They are eligible for re-appointment.

Necessary proposals for the 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.

Six Board meetings were held during the financial year under review – on April 25, 2012, June 8, 2012, August 13, 2012, October 22, 2012, December 5, 2012 and February 6, 2013.

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)	5
(ii) Mr. Norman Keith Skeoch	2
(iii) Mr. James Aird	5
(iv) Mr. Humayun Dhanrajgir	5
(v) Mr. Hoshang Billimoria	5
(vi) Mr. P. M. Thampi	6
(vii) Dr. Deepak B. Phatak	3
(viii) Ms. Renu Sud Karnad	6
(ix) Mr. Rajeshwar R. Bajaan	6
(x) Mr. Keki M. Mistry	6
(xi) Mr. Vijay Merchant	6
(xii) Mr. Milind Barve (Managing Director)	6

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 M. 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 5 times during the financial year under review. The Audit Committee met prior to the finalization of the accounts for the year ended March 31, 2013.

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): ₹ 0.73 crores (previous year: ₹ 1.12 crores)

- Foreign exchange (expenditure): ₹ 46.32 crores (previous year: ₹ 35.12 crores) (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, 2013 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 29, 2013

Deepak S. Parekh
Chairman

Independent Auditors' Report

TO THE MEMBERS OF HDFC ASSET MANAGEMENT COMPANY LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of HDFC ASSET MANAGEMENT COMPANY LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2013 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The

procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2003 ("the

Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

- 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 those books;

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

- d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

- e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For HARIBHAKTI & CO.

Chartered Accountants
Firm Registration No.103523W

Rakesh Rathi

Partner

MUMBAI
April 29, 2013

Membership No.: 45228

Annexure to the Auditors' Report

[REFERRED TO IN PARAGRAPH 1 UNDER 'REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS' IN THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF HDFC ASSET MANAGEMENT COMPANY LIMITED ON THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2013]

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

(b) The fixed assets of the Company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.

(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.

ii. The clause (ii) of Para 4 of the Companies (Auditor's Report) Order, 2003 (as amended) is not reported upon as it is not applicable to the Company.

iii. (a) 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. Accordingly, the provisions stated in paragraph 4 (iii) (b), (c) and (d) of the Order are not applicable to the Company.

(e) 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. Accordingly, the provisions stated in paragraph 4

(iii) (f) and (g) of the Order are not applicable to the Company.

iv. In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of services. During the course of our audit, we have not observed any continuing failure to correct weakness in internal control system of the Company.

v. (a) 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.

(b) 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 ₹ 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.

vi. In our opinion and according to the information and explanations

given to us, the Company has not accepted any deposits from the public within the meaning of sections 58A and 58AA of the Act and the rules framed thereunder.

vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

viii. The clause (viii) of Para 4 of the Companies (Auditor's Report) Order, 2003 (as amended) is not reported upon as it is not applicable to the Company.

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

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, wealth tax, service tax and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax on account of any dispute are as follows:

Name of the Statute	Nature of the Dues	Amount (₹)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	63,95,262/-	A.Y. 2002-2003	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	58,29,312/-	A.Y. 2003-2004	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	31,14,859/-	A.Y. 2008-2009	High Court
Income Tax Act, 1961	Income Tax	33,16,930/-	A.Y. 2010-2011	Commissioner of Income Tax (Appeals)

Annexure to the Auditors' Report (Continued)

- x. The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the Company has not taken any loan from Financial Institution, Bank and the Company has not issued any Debentures.
- xii. We are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) is not reported upon as it is not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- xv. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi. The Company has not obtained any term loans.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii. According to the information and explanation given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- xix. According to the information and explanations given to us, no debentures have been issued by the Company during the year.
- xx. The Company has not raised money by way of public issue during the year.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

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

MUMBAI
April 29, 2013

Rakesh Rathi
Partner
Membership No.: 45228

Balance Sheet as at March 31, 2013

Particulars	Note No.	₹	₹	March 31, 2012 ₹
EQUITY AND LIABILITIES				
SHAREHOLDERS' FUNDS				
Share Capital	2	25,24,08,000		25,17,01,500
Reserves and Surplus	3	676,75,82,716		577,13,16,054
NON-CURRENT LIABILITIES				
Long-Term Provisions	4	15,00,00,000		17,95,52,097
CURRENT LIABILITIES				
Trade Payables	5	59,74,27,354		41,35,01,469
Other Current Liabilities	6	52,70,24,772		39,35,57,545
Short-Term Provisions	7	637,42,62,203		536,71,14,075
			749,87,14,329	617,41,73,089
TOTAL		1466,87,05,045		1237,67,42,740
ASSETS				
NON-CURRENT ASSETS				
Fixed Assets	8			
- Tangible Assets		17,00,96,163		17,76,67,427
- Intangible Assets		1,71,50,917		8,31,56,774
		18,72,47,080		26,08,24,201
Non-Current Investments	9	66,74,50,234		27,71,00,500
Deferred Tax Assets (net) (see note 21.6)	10	12,80,31,613		12,43,12,983
Long-Term Loans and Advances	11	33,01,60,278		44,30,66,615
			131,28,89,205	110,53,04,299
CURRENT ASSETS				
Current Investments	12	597,82,57,412		492,02,35,955
Trade Receivables	13	19,22,35,549		11,48,76,110
Cash and Bank Balances	14	86,43,363		1,72,97,392
Short-Term Loans and Advances	15	716,77,60,087		621,68,06,024
Other Current Assets	16	89,19,429		22,22,960
			1335,58,15,840	1127,14,38,441
TOTAL		1466,87,05,045		1237,67,42,740

See accompanying notes to the financial statements

As per our report attached

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

Rakesh Rathi
Partner
Membership No: 45228

Mumbai, April 29, 2013

For and on behalf of the Board

Deepak S. Parekh
Chairman

Milind Barve
Managing Director

Piyush Surana
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
James Aird

Sylvia Furtado
Company Secretary

Statement of Profit & Loss for the year ended March 31, 2013

Particulars	Note No.	₹	Previous Year ₹
REVENUE			
Revenue from Operations	17	715,72,29,240	633,32,75,223
Other Income	18	68,25,29,709	56,83,69,901
TOTAL REVENUE		783,97,58,949	690,16,45,124
EXPENSES			
Employee Benefits Expense	19	100,53,88,505	91,85,38,766
Depreciation and Amortization Expense	8	16,42,53,455	16,93,87,315
Other Expenses	20	220,19,31,244	199,88,13,518
TOTAL EXPENSES		337,15,73,204	308,67,39,599
PROFIT/(LOSS) BEFORE TAX		446,81,85,745	381,49,05,525
Tax Expense:			
Current Tax		128,43,26,937	111,48,25,331
Deferred Tax		(37,18,630)	85,03,468
Previous Year's Tax		1,13,841	2,28,696
PROFIT/(LOSS) AFTER TAX		318,74,63,597	269,13,48,030
Earnings Per Equity Share (Face Value ₹ 10) (see note 21.5)			
- Basic		126.43	106.76
- Diluted		126.04	104.92

See accompanying notes to the financial statements

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

Rakesh Rathi
 Partner
 Membership No: 45228

Mumbai, April 29, 2013

For and on behalf of the Board

Deepak S. Parekh
 Chairman

Milind Barve
 Managing Director

Directors

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

Piyush Surana
 Chief Financial Officer

Sylvia Furtado
 Company Secretary

Cash Flow Statement for the year ended March 31, 2013

	₹	Previous Year ₹
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and extraordinary items	446,81,85,745	381,49,05,525
Add / (Less) : Adjustment for		
Depreciation and Amortization	16,42,53,455	16,93,87,315
Employee Stock Option Scheme Expenses	—	83,11,015
Provision for / (Reversal of) Diminution in the Value of Current Investments	(6,69,47,902)	5,59,01,357
Provision for / (Reversal of) Diminution in the Value of Non Current Investments	38,03,198	—
Utilisation / Reversal of Provision for Contingencies (Profit) / Loss on Sale of Investments (net)	(2,95,52,097)	(5,94,01,358)
(Profit) / Loss on Sale of Fixed Assets (net)	(38,66,97,657)	(18,95,35,207)
Investment Income	13,94,319	18,91,313
Provision for Wealth Tax	(15,70,13,667)	(29,15,03,953)
	5,90,420	11,11,630
Operating Profit before working capital changes	399,80,15,814	351,10,67,637
(Increase) / Decrease in Loans and Advances	17,74,85,717	14,11,99,147
(Increase) / Decrease in Other Current Assets	(70,778)	(1,15,019)
(Increase) / Decrease in Trade Receivables	(7,73,59,439)	3,40,07,761
Increase / (Decrease) in Current Liabilities	31,73,93,112	(16,27,01,642)
Cash generated from / (used in) operations	441,54,64,426	352,34,57,884
Income Tax Paid	(129,26,94,731)	(113,72,05,239)
Net cash from / (used in) operating activities	312,27,69,695	238,62,52,645
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(9,59,20,026)	(4,67,59,964)
Proceeds from Sale of Fixed Assets	31,27,591	16,23,636
Purchase of Investments	(1977,64,75,154)	(982,76,40,000)
Proceeds from Sale of Investments	1890,57,68,047	926,82,22,112
Dividend Received	99,25,959	3,78,60,704
Interest Received	1,25,69,119	32,57,836
Net cash from / (used in) investing activities	(94,10,04,464)	(56,34,35,676)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Share Capital	23,95,13,100	23,73,50,950
Buy Back of Equity Shares	(112,77,80,550)	(109,26,01,400)
Utilisation of Corporate Social Responsibility Account	(1,14,61,475)	(48,92,000)
Dividend Paid	(111,05,95,200)	(83,06,14,950)
Tax Paid on Dividend	(18,01,66,310)	(13,47,46,510)
Net cash from / (used in) financing activities	(219,04,90,435)	(182,55,03,910)
Net Increase / (Decrease) in cash and cash equivalents	(87,25,204)	(26,86,941)
Cash and cash equivalents at the beginning of the Year	1,64,96,905	1,91,83,846
Cash and cash equivalents at the end of the Year	77,71,701	1,64,96,905
	(87,25,204)	(26,86,941)

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

Rakesh Rathi
 Partner
 Membership No: 45228

Mumbai, April 29, 2013

For and on behalf of the Board

Deepak S. Parekh
 Chairman

Milind Barve
 Managing Director

Directors

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

Piyush Surana
 Chief Financial Officer

Sylvia Furtado
 Company Secretary

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (NOTES) FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Note 1

A) COMPANY OVERVIEW

HDFC Asset Management Company Limited ('the Company') was incorporated under the Companies Act, 1956 on December 10, 1999 and was approved to act as an Asset Management Company for the HDFC Mutual Fund by Securities and Exchange Board of India (SEBI) vide its letter dated July 3, 2000. In terms of the Investment Management Agreement, the Trustee has appointed the Company to manage the Mutual Fund.

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

B) SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation

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

1.2 Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

1.3 Income Recognition

Management fees and income from investments are accounted for on accrual basis. Dividend income is recognized when the right to receive the same is established. Interest income is recognized on a time proportion basis.

1.4 Cash and Cash Equivalents

Cash and cash equivalents represent cash and balance with scheduled banks in current account.

1.5 Fixed Assets

Fixed assets are stated at cost less accumulated depreciation / amortization as adjusted for impairment, if any. The cost of acquisition is inclusive of taxes, duties, freight and other incidental expenses related to acquisition and installation of the assets. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefit / functioning capability from / of such assets.

All expenses on existing fixed assets, including day to day repair and maintenance expenditure and cost of replacing parts are charged to Statement of Profit and Loss during the period in which they are incurred. Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis.

Gains or Losses arising from disposal of fixed assets are measured as the difference between the net disposal proceeds and carrying amount of the asset and is recognized in the Statement of Profit and Loss.

1.6 Depreciation / Amortization

- 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 has been depreciated equally over a period of 10 years.

1.7 Investments

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

1.8 Transaction in Foreign Currency

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

1.9 Brokerage

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.

1.10 Employee Benefits

A) Provident Fund

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

B) Gratuity

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

1.11 Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as Operating Leases. Operating lease rentals are recognized on accrual basis.

1.12 Income Tax

The accounting treatment for Income Tax in respect of the Company's income is based on the Accounting Standard on "Accounting for Taxes on Income" (AS-22) issued by the Institute of Chartered Accountants of India. The provision made for Income Tax in the Financial Statements comprises both, the current tax and the deferred tax. The deferred tax assets and liabilities for the year, arising on account of timing differences, are recognized in the Statement of Profit and Loss and the cumulative effect thereof is reflected in the Balance Sheet. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates at the balance sheet date. The major components of the respective balances of deferred tax assets and liabilities are disclosed in the Financial Statements.

1.13 Scheme Expenses

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

1.14 Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Statement of Profit and Loss to the extent the carrying amount of assets exceeds their estimated recoverable amount.

1.15 Provision for Contingencies

In accordance with Accounting Standard on "Provisions, Contingent Liabilities and Contingent Assets" (AS-29), a provision is recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. The Company's policy is to carry adequate amounts in the Provision for Contingencies account to meet all contingencies in the business.

Contingent liabilities are not recognized. A contingent asset is neither recognized nor disclosed.

Notes

Forming part of the financial statements for the year ended March 31, 2013

Note 2

SHARE CAPITAL

	As at March 31, 2013 ₹	As at March 31, 2012 ₹
AUTHORISED		
3,00,00,000 (Previous Year 3,00,00,000) Equity Shares of ₹ 10 each	30,00,00,000	30,00,00,000
5,00,00,000 (Previous Year 5,00,00,000) Redeemable, Cumulative Non-Convertible Preference Shares of ₹ 10 each	50,00,00,000	50,00,00,000
Total	80,00,00,000	80,00,00,000
ISSUED, SUBSCRIBED AND PAID-UP		
2,52,40,800 (Previous Year 2,51,70,150) Equity Shares of ₹ 10 each, fully paid up	25,24,08,000	25,17,01,500
Total	25,24,08,000	25,17,01,500

Movement in Share Capital during the year :

Particulars	Current Year		Previous Year	
	No. of Equity Shares	Share Capital (₹)	No. of Equity Shares	Share Capital (₹)
Shares outstanding at the beginning of the year	2,51,70,150	25,17,01,500	2,51,69,000	25,16,90,000
Add : Shares issued during the year	5,55,300	55,53,000	5,05,350	50,53,500
Less : Shares bought back during the year	4,84,650	48,46,500	5,04,200	50,42,000
Shares outstanding at the end of the year	2,52,40,800	25,24,08,000	2,51,70,150	25,17,01,500

The Company has issued only one class of shares referred to as equity share having Face Value of ₹ 10 each, each holder of equity shares is entitled to one vote per share.

The holders of equity shares are entitled to dividends, if any, proposed by the board of directors and approved by the shareholders at the Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of preferential amount. However, no such preferential amount exists currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

Details of Holding Company and Shareholders holding more than 5 percent Share Capital of the Company :

Name of the Shareholder	Current Year		Previous Year	
	No. of Equity Shares	% of Share Capital	No. of Equity Shares	% of Share Capital
Housing Development Finance Corporation Limited (Holding Company) & its nominees	1,50,96,600	59.81	1,50,96,600	59.98
Standard Life Investments Limited	1,00,64,400	39.87	1,00,64,400	39.99

10,19,500 (Previous Year 6,14,800) equity shares of ₹ 10 each are reserved for issuance towards outstanding employee stock options.

14,81,700 equity shares of ₹ 10 each were bought back during last five years.

Note 3**RESERVES AND SURPLUS**

	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Capital Redemption Reserve		
Opening Balance	50,99,70,500	50,49,28,500
Add : Transfer from Surplus in Statement of Profit and Loss	48,46,500	50,42,000
	<u>51,48,17,000</u>	<u>50,99,70,500</u>
Securities Premium Account		
Opening Balance	—	—
Add : Additions during the Year	30,95,60,100	27,35,17,450
Less : Utilised during the Year	30,95,60,100	27,35,17,450
	<u>—</u>	<u>—</u>
Share Options Outstanding Account		
Opening Balance	7,56,00,000	10,85,08,985
Add : Additions during the Year	—	83,11,015
Less : Transfer to Securities Premium Account	7,56,00,000	4,12,20,000
	<u>—</u>	<u>7,56,00,000</u>
General Reserve		
Opening Balance	26,91,34,803	24,21,79,180
Add : Transfer from Surplus in Statement of Profit and Loss	31,87,46,360	26,91,34,803
Less : Utilised during the Year	26,91,34,803	24,21,79,180
	<u>31,87,46,360</u>	<u>26,91,34,803</u>
Corporate Social Responsibility Account (for social/philanthropic causes & investor centric initiatives)		
Opening Balance	4,51,08,000	—
Add : Transfer from Surplus in Statement of Profit and Loss	—	5,00,00,000
Less : Utilised during the Year	1,14,61,475	48,92,000
	<u>3,36,46,525</u>	<u>4,51,08,000</u>
Surplus in Statement of Profit and Loss		
Opening Balance	487,15,02,751	404,15,55,754
Add : Profit/(Loss) for the Year	318,74,63,597	269,13,48,030
Less : Appropriations :		
General Reserve	31,87,46,360	26,91,34,803
Capital Redemption Reserve	48,46,500	50,42,000
Buy Back of Equity Shares	54,42,39,147	57,18,62,770
Corporate Social Responsibility Account	—	5,00,00,000
Interim Equity Dividend Paid	111,05,95,200	83,06,14,950
Tax on Interim Equity Dividend Paid	18,01,66,310	13,47,46,510
	<u>590,03,72,831</u>	<u>487,15,02,751</u>
Total	<u><u>676,75,82,716</u></u>	<u><u>577,13,16,054</u></u>

Pursuant to the approval of the shareholders at the Extraordinary General Meeting 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 4,84,650 equity shares during the Year (Previous Year 5,04,200) at an aggregate value of ₹ 112,77,80,550 (Previous Year ₹ 109,26,01,400). The Company has utilised the Securities Premium Account & Free Reserves for this purpose. A sum of ₹ 48,46,500 (Previous Year ₹ 50,42,000) has been transferred to Capital Redemption Reserve in terms of Section 77AA of the Act.

Note 4

LONG-TERM PROVISIONS

	As at March 31, 2013 ₹	As at March 31, 2012 ₹
For Contingencies (see note 21.7)	15,00,00,000	17,95,52,097
Total	<u>15,00,00,000</u>	<u>17,95,52,097</u>

Note 5

TRADE PAYABLES

	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Sundry Creditors (see note 21.9)	59,74,27,354	41,35,01,469
Total	<u>59,74,27,354</u>	<u>41,35,01,469</u>

Note 6

OTHER CURRENT LIABILITIES

	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Statutory Dues	1,95,10,375	1,79,65,865
Employee Benefits	40,09,47,059	36,27,97,324
Other Dues	9,86,31,185	1,27,94,356
Income Received in Advance	79,36,153	—
Total	<u>52,70,24,772</u>	<u>39,35,57,545</u>

Note 7

SHORT-TERM PROVISIONS

	As at March 31, 2013 ₹	As at March 31, 2012 ₹
For Taxation	637,42,62,203	536,71,14,075
Total	<u>637,42,62,203</u>	<u>536,71,14,075</u>

Note 8
FIXED ASSETS

₹

	GROSS BLOCK				DEPRECIATION / AMORTIZATION				NET BLOCK	
	As at March 31, 2012	Additions	Deductions	As at March 31, 2013	As at March 31, 2012	For the Year	Deductions	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
TANGIBLE ASSETS										
Buildings	4,99,57,691	—	—	4,99,57,691	15,66,088	9,99,154	—	25,65,242	4,73,92,449	4,83,91,603
Improvement of Rented Premises	29,75,65,952	3,78,73,440	1,57,47,427	31,96,91,965	23,60,88,466	3,90,90,209	1,30,89,547	26,20,89,128	5,76,02,837	6,14,77,486
Computer Equipment	10,04,56,968	2,71,92,080	66,92,403	12,09,56,645	8,61,89,374	1,30,99,121	66,92,403	9,25,96,092	2,83,60,553	1,42,67,594
Furniture & Fixtures	2,73,74,957	19,88,142	9,51,429	2,84,11,670	2,11,44,801	30,03,643	9,48,217	2,32,00,227	52,11,443	62,30,156
Electrical Installations	2,700	—	—	2,700	2,700	—	—	2,700	—	—
Vehicles	2,62,85,115	49,04,801	63,13,637	2,48,76,279	1,40,63,566	55,23,612	54,83,936	1,41,03,242	1,07,73,037	1,22,21,549
Office Equipment	16,17,35,925	75,38,835	52,55,471	16,40,19,289	12,66,56,886	2,08,30,913	42,24,354	14,32,63,445	2,07,55,844	3,50,79,039
Total	66,33,79,308	7,94,97,298	3,49,60,367	70,79,16,239	48,57,11,881	8,25,46,652	3,04,38,457	53,78,20,076	17,00,96,163	17,76,67,427
Previous Year	65,31,53,349	3,43,49,508	2,41,23,549	66,33,79,308	41,82,74,979	8,80,45,502	2,06,08,600	48,57,11,881	17,76,67,427	
INTANGIBLE ASSETS										
Goodwill	66,83,08,050	—	—	66,83,08,050	60,16,41,384	6,66,66,666	—	66,83,08,050	—	6,66,66,666
Computer Software	7,45,19,502	1,57,00,946	—	9,02,20,448	5,80,29,394	1,50,40,137	—	7,30,69,531	1,71,50,917	1,64,90,108
Total	74,28,27,552	1,57,00,946	—	75,85,28,498	65,96,70,778	8,17,06,803	—	74,13,77,581	1,71,50,917	8,31,56,774
Previous Year	73,60,70,073	67,57,479	—	74,28,27,552	57,83,28,965	8,13,41,813	—	65,96,70,778	8,31,56,774	

Note 9

NON-CURRENT INVESTMENTS (Non Trade, At Cost)

	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Investment in Subsidiary Company		
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
Investment in Venture Capital Fund		
76,901 Units (Previous Year 48,000) of ₹ 1,000 each in Faering Capital India Evolving Fund (Class A)	7,69,00,732	4,80,00,000
Investment in Bonds		
61,809 (Previous Year 61,809) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 1,000 each of National Highways Authority of India (NHAI)	6,18,09,000	6,18,09,000
1,63,131 (Previous Year 1,63,131) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 1,000 each of Indian Railways Finance Corporation (IRFC)	16,31,31,000	16,31,31,000
Investment in Preference Shares		
36,52,522 (Previous Year NIL) 8.75% Cumulative Redeemable Preference Shares of ₹ 100 each of L&T Finance Holdings Limited	36,52,52,200	—
Total Non-Current Investments	67,12,53,432	27,71,00,500
Less: Provision for Diminution in the value of Investments	38,03,198	—
Net Non-Current Investments	66,74,50,234	27,71,00,500
Aggregate of Quoted Investments		
Book Value	22,49,40,000	22,49,40,000
Market Value	24,15,49,646	22,80,38,879
Aggregate of Unquoted Investments		
Book Value	44,25,10,234	5,21,60,500

Note 10

DEFERRED TAX

	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Deferred Tax Asset	12,94,87,853	12,59,15,656
Deferred Tax Liability	(14,56,240)	(16,02,673)
Total	12,80,31,613	12,43,12,983

Note 11**LONG-TERM LOANS AND ADVANCES**

	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Secured, Considered good		
— Loan to Corporate	97,03,064	—
Unsecured, Considered good		
— Capital Advances	71,98,233	64,76,451
— Security Deposits	12,64,41,799	11,52,95,925
— Prepaid Expenses	18,68,17,182	32,12,94,239
Total	33,01,60,278	44,30,66,615

Note 12**CURRENT INVESTMENTS (Non Trade)**

	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Investment in Schemes of Mutual Fund (Valued at Cost and Fair Value, whichever is lower)		
NIL Units (Previous Year 28,28,188) of ₹ 10 each in HDFC Growth Fund (Dividend Plan)	—	8,11,15,519
NIL Units (Previous Year 33,50,727) of ₹ 10 each in HDFC Prudence Fund (Dividend Plan)	—	9,11,38,603
NIL Units (Previous Year 6,74,063) of ₹ 10 each in HDFC Arbitrage Fund (Dividend Plan)	—	67,65,692
NIL Units (Previous Year 16,82,466) of ₹ 10 each in HDFC Equity Fund (Dividend Plan)	—	7,56,43,395
NIL Units (Previous Year 16,99,414) of ₹ 10 each in HDFC Top 200 Fund (Dividend Plan)	—	7,53,90,486
NIL Units (Previous Year 29,90,821) of ₹ 10 each in HDFC Capital Builder Fund (Dividend Plan)	—	7,68,56,142
NIL Units (Previous Year 50,00,668) of ₹ 10 each in HDFC Premier Multicap Fund (Dividend Plan)	—	7,84,61,435
NIL Units (Previous Year 35,19,045) of ₹ 10 each in HDFC Core & Satellite Fund (Dividend Plan)	—	7,16,18,507
NIL Units (Previous Year 8,34,17,504) of ₹ 10 each in HDFC Cash Management Fund - Treasury Advantage Plan (Growth Plan)	—	195,92,35,785
4,16,67,522 Units (Previous Year NIL) of ₹ 10 each in HDFC Cash Management Fund - Treasury Advantage Plan - Direct Plan (Growth Plan)	104,79,34,003	—
NIL Units (Previous Year 9,69,59,446) of ₹ 10 each in HDFC Floating Rate Income Fund - Long Term Plan (Growth Plan)	—	175,00,00,000

Note 12 (Continued)**CURRENT INVESTMENTS (Non Trade)**

	As at March 31, 2013 ₹	As at March 31, 2012 ₹
12,24,61,628 Units (Previous Year NIL) of ₹ 10 each in HDFC Floating Rate Income Fund - Long Term Plan (Growth Plan)	250,22,61,150	—
14,91,41,510 Units (Previous Year NIL) of ₹ 10 each in HDFC Short Term Opportunities Fund - Direct Plan (Growth Plan)	188,94,04,793	—
1,00,684 Units (Previous Year NIL) of Rs. 10 each in HDFC Floating Rate Income Fund - Short Term Plan - Direct Plan (Daily Dividend Plan)	10,14,988	—
1,00,038 Units (Previous Year NIL) of Rs. 10 each in HDFC Floating Rate Income Fund - Short Term Plan - Direct Plan (Weekly Dividend Plan)	10,14,512	—
99,955 Units (Previous Year NIL) of Rs. 10 each in HDFC Floating Rate Income Fund - Short Term Plan - Direct Plan (Monthly Dividend Plan)	10,14,532	—
50,929 Units (Previous Year NIL) of Rs. 10 each in HDFC Floating Rate Income Fund - Short Term Plan - Direct Plan (Growth Plan)	10,00,000	—
NIL Units (Previous Year 1,69,81,992) of ₹ 10 each in HDFC Liquid Fund (Growth Plan)	—	36,49,58,293
58,28,520 Units (Previous Year NIL) of ₹ 10 each in HDFC Liquid Fund - Direct Plan (Growth Plan)	13,46,13,434	—
NIL Units (Previous Year 6,00,000) of ₹ 10 each in HDFC FMP 182D February 12 (1) (Dividend Plan)	—	60,00,000
NIL Units (Previous Year 3,00,00,000) of ₹ 10 each in HDFC FMP 370D March 12 (1) (Growth Plan)	—	30,00,00,000
1,50,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC FMP 371D February 13 (1) - Direct Plan (Growth Plan)	15,00,00,000	—
2,00,00,000 Units (Previous Year NIL) of ₹ 10 each in HDFC FMP 372D February 13 (1) - Direct Plan (Growth Plan)	20,00,00,000	—
50,00,000 Units (Previous Year 50,00,000) of ₹ 10 each in HDFC Debt Fund for Cancer Cure (Dividend Plan)	5,00,00,000	5,00,00,000
Total Current Investments	<u>597,82,57,412</u>	<u>498,71,83,857</u>
Less: Provision for Diminution in the value of Investments	—	<u>6,69,47,902</u>
Net Current Investments	<u>597,82,57,412</u>	<u>492,02,35,955</u>
Aggregate of Investments in Quoted Mutual Funds		
Book Value	40,00,00,000	35,60,00,000
Market Value	40,00,00,000	35,60,00,000
Aggregate of Investments in Unquoted Mutual Funds		
Book Value	557,82,57,412	456,42,35,955

Note 13**TRADE RECEIVABLES**

(Unsecured, Considered good)

	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Investment Management Fee Receivable (less than six months)	15,10,05,641	6,62,90,120
Portfolio Management Fee Receivable		
– Over six months	1,53,494	13,238
– Others	4,10,76,414	4,85,72,752
	4,12,29,908	4,85,85,990
Total	19,22,35,549	11,48,76,110

Note 14**CASH AND BANK BALANCES**

	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Cash and Cash Equivalents		
– Balances with Banks	77,71,701	1,64,96,905
Other Bank Balances		
– In Deposit Account (security against bank guarantee)	8,71,662	8,00,487
Total	86,43,363	1,72,97,392

Note 15**SHORT-TERM LOANS AND ADVANCES**

(Unsecured, Considered good)

	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Advance Payment of Taxes	646,80,04,223	545,31,92,562
Prepaid Expenses		
– Related Parties	66,74,836	52,82,101
– Others	36,98,60,413	42,36,65,828
	37,65,35,249	42,89,47,929
Service Tax Credit Receivable	1,00,34,388	67,72,687
Other Receivables		
– Related Parties	4,67,20,200	5,05,60,200
– Others	26,64,66,027	27,73,32,646
	31,31,86,227	32,78,92,846
Total	716,77,60,087	621,68,06,024

Note 16

OTHER CURRENT ASSETS

	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Interest accrued on Loans	3,79,684	—
Interest accrued on Fixed Deposit	16,834	17,231
Interest accrued on Bonds	85,22,911	22,05,729
Total	89,19,429	22,22,960

Note 17

REVENUE FROM OPERATIONS

	For the Year ended March 31, 2013 ₹	For the Year ended March 31, 2012 ₹
Investment Management Fee	647,73,54,873	547,63,50,073
Portfolio Management Fee	67,98,74,367	85,69,25,150
Total	715,72,29,240	633,32,75,223

Note 18

OTHER INCOME

	For the Year ended March 31, 2013 ₹	For the Year ended March 31, 2012 ₹
Dividend Income from Current Investments	13,77,47,682	28,60,40,387
Interest Income:		
— From Non-Current Investments	1,81,58,569	22,05,729
— From Others	11,27,528	32,77,119
Profit on Sale of Current Investments (net)	38,66,97,657	18,95,35,207
Utilisation / Reversal of Provision for Contingencies	2,95,52,097	5,94,01,358
Reversal of Diminution in the Value of Current Investments	6,69,47,902	—
Profit on Foreign Exchange Translation	—	12,23,753
Miscellaneous Income	4,22,98,274	2,66,86,348
Total	68,25,29,709	56,83,69,901

Note 19**EMPLOYEE BENEFITS EXPENSE**

	For the Year ended March 31, 2013 ₹	For the Year ended March 31, 2012 ₹
Salaries, Allowances and Bonus	93,97,37,000	85,79,12,440
Contribution to Provident and Other Funds	4,62,19,667	3,63,05,826
Employee Stock Option Scheme Expenses	—	83,11,015
Staff Welfare and Training Expenses	1,94,31,838	1,60,09,485
Total	100,53,88,505	91,85,38,766

Note 20**OTHER EXPENSES**

	For the Year ended March 31, 2013 ₹	For the Year ended March 31, 2012 ₹
Brokerage / Incentives / Fees / Mutual Fund Expenses	121,11,87,139	114,96,04,421
Business Promotion	11,63,39,088	8,83,03,956
Rent	30,11,72,157	22,47,32,304
Printing and Courier	4,91,30,696	3,23,32,631
Travel and Conveyance	4,75,06,879	4,43,74,533
Communication Expenses	3,49,17,111	3,18,21,769
Subscription and Membership Fees	2,12,64,688	1,74,39,889
Professional and Legal Fees	4,17,32,346	4,58,90,793
Repair and Maintenance	11,40,71,445	10,02,28,465
Electricity Charges	3,65,13,372	3,03,84,614
Outsourced Services Cost	12,73,05,612	12,82,37,699
Insurance Expenses	1,72,20,403	1,44,18,279
Rates and Taxes	20,66,730	25,09,548
Auditors Remuneration:		
Audit Fee	10,00,000	10,00,000
Audit Fee - PMS Business	18,65,461	12,02,206
Tax Audit Fee	50,000	50,000
Taxation Matters	3,27,600	4,06,000
Reimbursement of Expenses	5,371	45,325
Other Services	12,90,100	2,96,845
	45,38,532	30,00,376
Directors Sitting Fees and Commission	87,80,000	31,00,000
Donations	—	5,00,000
Loss on Foreign Exchange Translation	2,16,352	—
Provision for Diminution in the Value of Current Investments	—	5,59,01,357
Provision for Diminution in the Value of Non-Current Investments	38,03,198	—
Miscellaneous Expenses	6,41,65,496	2,60,32,884
Total	220,19,31,244	199,88,13,518

Note 21**21.1 Employee Benefits**

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

A) Defined Contribution Plan

Provident Fund

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

(Amount in ₹)

Particulars	Current Year	Previous Year
Employer's contribution to Provident Fund	2,64,94,551	2,39,56,247

B) Defined Benefit Plan

Contribution to Gratuity Fund (Funded Scheme)

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

(Amount in ₹)

Particulars	Current Year	Previous Year
Change in the Defined Benefit Obligations:		
Liability at the beginning of the Year	6,02,98,371	4,59,23,898
Current Service Cost	98,27,389	80,15,981
Interest Cost	51,25,362	37,88,722
Benefits Paid	(84,12,800)	(12,13,800)
Actuarial (Gain) / Loss	69,11,715	37,83,570
Liability at the end of the Year	7,37,50,037	6,02,98,371
Fair Value of Plan Assets:		
Fair Value of Plan Assets at the beginning of the Year	5,03,84,616	3,48,84,227
Expected Return on Plan Assets	43,33,077	27,90,738
Contributions	99,13,755	1,10,39,671
Benefits Paid	(84,12,800)	(12,13,800)
Actuarial Gain / (Loss) on Plan Assets	4,83,657	28,83,780
Fair Value of Plan Assets at the end of the Year	5,67,02,305	5,03,84,616
Actual Return on Plan Assets:		
Expected Return on Plan Assets	43,33,077	27,90,738
Actuarial Gain / (Loss) on Plan Assets	4,83,657	28,83,780
Actual Return on Plan Assets	48,16,734	56,74,518
Amount Recognized in the Balance Sheet:		
Liability at the end of the Year	7,37,50,037	6,02,98,371
Fair Value of Plan Assets at the end of the Year	5,67,02,305	5,03,84,616
Amount recognized in the Balance Sheet as Liability	1,70,47,732	99,13,755

Note 21 (Continued)

(Amount in ₹)

Expense Recognized in the Statement of Profit and Loss:		Current Year	Previous Year		
Current Service Cost		98,27,389	80,15,981		
Interest Cost		51,25,362	37,88,722		
Expected Return on Plan Assets		(43,33,077)	(27,90,738)		
Net Actuarial (Gain) / Loss to be Recognized		64,28,058	8,99,790		
Expense recognized in the Statement of Profit and Loss under 'Employee Benefits Expenses'		1,70,47,732	99,13,755		
Reconciliation of the Liability Recognized in the Balance Sheet:		Current Year	Previous Year		
Opening Net Liability		99,13,755	1,10,39,671		
Expense recognized		1,70,47,732	99,13,755		
Contribution by the Company		(99,13,755)	(1,10,39,671)		
Amount recognized in the Balance Sheet as Liability		1,70,47,732	99,13,755		
Net Actuarial (Gain) / Loss Recognized		Current Year	Previous Year		
Actuarial (Gain) / Loss on Plan Assets		(4,83,657)	(28,83,780)		
Actuarial (Gain) / Loss on Defined Benefit Obligation		69,11,715	37,83,570		
Net Actuarial (Gain) / Loss Recognized		64,28,058	8,99,790		
Particulars	2012-13	2011-12	2010-11	2009-10	2008-09
Liability at the end of the year	7,37,50,037	6,02,98,371	4,59,23,898	2,95,61,280	2,30,44,206
Fair Value of Plan Assets at the end of the year	5,67,02,305	5,03,84,616	3,48,84,227	3,13,50,664	1,78,08,101
Amount recognized in the Balance Sheet as liability	1,70,47,732	99,13,755	1,10,39,371	(17,89,384)	52,36,105
Experience Adjustment:					
(Gains) / Losses on Plan Liabilities	44,47,641	56,96,464	70,14,755	*	*
(Gains) / Losses on Plan Assets	(4,83,657)	(28,83,780)	21,32,680	*	*
Estimated Contribution for next year	1,87,99,305	1,66,85,170	73,96,987	*	*

*Experience adjustment details for financial years earlier than 2010-11 are not disclosed as it was not made available to the Company by the erstwhile insurance company.

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.	8.50% p.a.
Return on Plan Assets	8.70% p.a.	8.60% p.a.
Compensation Escalation Rate	5.00% p.a.	5.00% p.a.
Average Age	34.21 Years	33.00 Years
Mortality Basis	Indian Assured Lives Mortality (2006-08) Ultimate	LIC (1994-96) Ult

Note 21 (Continued)**21.2 Segmental Reporting**

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

The Company's operations predominantly relate to providing Asset Management Services. It acts as an Investment Manager to schemes launched by HDFC Mutual Fund. It also provides Portfolio Management Services (PMS) to Corporates and High Net Worth Individuals. Accordingly, the Company has recognized 'Mutual Fund' and 'Portfolio Management' as Primary business segments. Secondary segment reporting does not require separate disclosure as most of the activities of the Company are within India.

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

The basis of reporting is as follows:

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

(Amount in ₹)

	Mutual Fund		Portfolio Management		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Segment Revenue						
Management Fees	647,73,54,873	547,63,50,073	67,98,74,367	85,69,25,150	715,72,29,240	633,32,75,223
Inter Segment Revenue	-	-	-	-	-	-
Total Segment Revenue	647,73,54,873	547,63,50,073	67,98,74,367	85,69,25,150	715,72,29,240	633,32,75,223
Identifiable Operating Expenses	221,55,05,084	200,28,33,001	46,99,09,843	45,72,07,816	268,54,14,927	246,00,40,817
Segmental Operating Income	426,18,49,789	347,35,17,072	20,99,64,524	39,97,17,334	447,18,14,313	387,32,34,406
Unallocable Expenses					68,61,58,277	62,66,98,782
Operating Income					378,56,56,036	324,65,35,624
Other Income					68,25,29,709	56,83,69,901
Net Profit Before Tax					446,81,85,745	381,49,05,525
Provision For Income Tax					128,43,26,937	111,48,25,331
Deferred Tax Expense					(37,18,630)	85,03,468
Previous Year's Tax					1,13,841	2,28,696
Net Profit After Tax					318,74,63,597	269,13,48,030
Segment Assets And Liabilities						
Segment Assets	86,31,33,260	82,37,19,899	14,83,47,974	29,09,24,625	101,14,81,234	111,46,44,524
Unallocated Assets					1365,72,23,811	1126,20,98,216
Total Assets					1466,87,05,045	1237,67,42,740
Segment Liabilities	92,52,13,013	65,41,55,830	6,94,55,555	6,61,81,747	99,46,68,567	72,03,37,577
Unallocated Liabilities					665,40,45,762	563,33,87,609
Total Liabilities					764,87,14,329	635,37,25,186
Capital Expenditure	-	-	-	-	9,51,98,244	4,11,06,987
Depreciation	-	-	-	-	16,42,53,455	16,93,87,315

Note 21 (Continued)**21.3 Related Party Transactions**

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

- A) Holding Company : Housing Development Finance Corporation Limited
 B) Investing Party : Standard Life Investments Limited
 C) Fellow Subsidiaries where : HDFC Trustee Company Limited
 Company has transactions : HDFC Standard Life Insurance Company Limited
 during the year : HDFC ERGO General Insurance Company Limited
 D) Subsidiary Company : HDFC Asset Management Company (Singapore) Pte. Ltd.
 E) 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 ₹)

Particulars	Holding Company	Investing Party	Fellow Subsidiaries*	Subsidiary Company
INCOME				
Management Fees	–	39,88,262	–	–
	–	(53,16,288)	(2,70,000)	–
EXPENDITURE				
Rent	9,86,57,423	–	–	–
	(2,65,59,540)	–	–	–
Advisory Fee	12,92,19,747	–	–	–
	(15,90,93,083)	–	–	–
Technology Support Cost	1,32,98,967	–	–	–
	(1,60,72,521)	–	–	–
Administrative & Other Expenses	61,95,760	–	–	–
	(31,39,609)	–	–	–
Insurance Premium	–	–	65,11,037	–
	–	–	(62,43,916)	–
ASSETS				
Investment	–	–	–	3,57,302
	–	–	–	(41,60,500)
Deposit	–	–	9,167	–
	–	–	(8,625)	–
Account Receivable	–	9,79,356	4,67,20,200	–
	–	(11,28,408)	(5,05,60,200)	–
Prepaid Insurance Premium	–	–	66,74,836	–
	–	–	(52,82,101)	–
Administrative & Other Expenses	–	–	–	–
	(1,018)	–	–	–

Note 21 (Continued)

Particulars	Holding Company	Investing Party	Fellow Subsidiaries*	Subsidiary Company
LIABILITIES				
Account Payable	10,50,680	–	–	–
	–	–	–	–
OTHER TRANSACTIONS				
Purchase of Fixed Assets	10,00,000	–	–	–
	(10,00,000)	–	–	–
Interim Equity Dividend Paid	66,42,50,400	44,28,33,600	–	–
	(49,81,87,800)	(33,21,25,200)	–	–

Remuneration to Key Management Personnel ₹ 5,43,33,064 (Previous Year ₹ 5,01,24,164). Reimbursement of Expenses amounting to ₹ 2,97,038 (Previous Year ₹ 2,54,031) to the Holding Company is not considered above.

The Company is in the process of winding up its subsidiary company and the necessary steps in this regard have been initiated. Accordingly, a permanent diminution has been provided against investments in the subsidiary company.

*Details of transactions with fellow subsidiaries are as follows:

Particulars	HDFC Trustee Company Limited	HDFC Standard Life Insurance Company Limited	HDFC ERGO General Insurance Company Limited
Management Fees	–	–	–
	–	–	(2,70,000)
Insurance Premium	–	9,51,448	55,59,589
	–	(7,43,298)	(55,00,618)
Deposit	–	9,167	–
	–	(8,625)	–
Account Receivable*	4,67,20,200	–	–
	(5,05,60,200)	–	–
Prepaid Insurance Premium	–	10,452	66,64,384
	–	(8,128)	(52,73,973)

* Includes an amount of ₹ 2,58,62,200 (Previous Year ₹ 2,58,62,200) paid to HDFC Trustee Company Limited (see note 21.11).

Figures in bracket pertain to the Previous Year.

21.4 Operating Leases

The company has entered into non-cancellable leasing arrangements for certain premises. The total lease payments recognized in the Statement of Profit and Loss towards the said leases amounts to ₹ 1,47,96,102 (Previous Year ₹ 1,85,23,011).

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

(Amount in ₹)

Particulars	Current Year	Previous Year
Not later than one year	2,12,62,444	2,81,48,120
Later than one year but not later than five years	3,18,00,379	4,25,05,488

Note 21 (Continued)**21.5 Earnings Per Equity Share**

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

- (i) The basic earnings per equity share has been calculated based on the net profit after tax of ₹ **318,74,63,597** (Previous Year ₹ 269,13,48,030) and weighted average number of equity shares outstanding during the year amounting to **2,52,11,115** (Previous Year 2,52,09,396).
- (ii) Following is the reconciliation between basic and diluted earnings per equity share:

(Amount in ₹)

Particulars	Current Year	Previous Year
Nominal value per share	10.00	10.00
Basic earnings per share	126.43	106.76
Effect of potential equity shares for stock options (per share)	(0.39)	(1.84)
Diluted earnings per share	126.04	104.92

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

(Amount in ₹)

Particulars	Current Year	Previous Year
Weighted average number of equity shares used in computing basic earnings per equity share	2,52,11,115	2,52,09,396
Effect of potential equity shares for stock options outstanding	77,952	4,42,868
Weighted average number of equity shares used in computing diluted earnings per equity share	2,52,89,067	2,56,52,264

21.6 Deferred Tax

In compliance with the Accounting Standard on “Accounting for Taxes on Income” (AS-22) issued by the Institute of Chartered Accountants of India, the Company has made net deferred tax adjustment of ₹ **37,18,630** (Previous Year ₹ 85,03,468) as per details given below. The amount has been credited to the Statement of Profit and Loss.

(Amount in ₹)

Description	As on March 31, 2012	For the Year	As on March 31, 2013
Assets			
Depreciation	6,72,36,571	95,30,006	7,67,66,577
Provision for Contingencies	5,82,55,678	(72,70,678)	5,09,85,000
Others	4,23,407	13,12,869	17,36,276
Total	12,59,15,656	35,72,197	12,94,87,853
Liabilities			
Others	16,02,673	(1,46,433)	14,56,240
Net Deferred Tax Asset	12,43,12,983	37,18,630	12,80,31,613

Note 21 (Continued)**21.7 Provisions**

In compliance with the Accounting Standard on “Provisions, Contingent Liabilities and Contingent Assets” (AS-29) issued by the Institute of Chartered Accountants of India, balance under Provision for Contingencies amounting to ₹ 15,00,00,000 represents provision against all contingencies in the business. Movement in Provision for Contingencies account during the year is as under:

(Amount in ₹)

Carrying Amount as at April 1, 2012	Additions during the year	Amounts used during the year	Amounts reversed during the year	Carrying Amount as at March 31, 2013
17,95,52,097	—	38,03,198	2,57,48,899	15,00,00,000

21.8 Contingent Liabilities and Commitments

Disputed Income Tax demand ₹ **1,86,56,363** (Previous Year ₹ 1,73,15,599).

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ **14,62,14,254** (Previous Year ₹ 16,43,41,343).

21.9 Sundry Creditors

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

(Amount in ₹)

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

Note 21 (Continued)**21.10 Accounting for Employee Share Based Payments**

Under Employees Stock Option Scheme 2012 – Series I (ESOS 2012 – Series I) and Employees Stock Option Scheme 2012 – Series II (ESOS 2012 – Series II), the Company had on 14th September 2012 granted 8,70,000 stock options at an exercise price of ₹ 2,129/- per option under ESOS 2012 – Series I, representing 8,70,000 equity shares of ₹ 10/- each and 90,000 stock options at an exercise price of ₹ 2,129/- per option under ESOS 2012 – Series II, representing 90,000 equity shares of ₹ 10/- each to few employees and directors of the Company. The fair value of the Company's underlying equity shares was determined in accordance with the pricing formula approved by the Remuneration Committee i.e. based on the Price Earning Multiple method and the Assets Under Management (AUM) method.

In terms of ESOS 2012 – Series I and ESOS 2012 – Series II, the options vest over a period of 1-2 years and 3-4 years respectively from the date of grant. Accordingly, during the year NIL options under ESOS 2012 – Series I (Previous Year NIL) vested and NIL options under ESOS 2012 – Series II (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 2009 – Series I (ESOS 2009 – Series I), the Company had on 25th August 2009 granted 1,54,000 stock options at an exercise price of ₹ 527/- per option, representing 1,54,000 equity shares of ₹ 10/- each to few employees and directors of the Company. The fair value of the Company's underlying equity shares was determined in accordance with the pricing formula approved by the Remuneration Committee of the Board of Directors of the Company ('Remuneration Committee') i.e. based on the Profit Earning Capacity Valuation (PECV) method and the Assets Under Management (AUM) method.

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

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

In terms of ESOS 2008 – Series I and ESOS 2008 – Series II, the options vest over a period of 3-4 years from the date of grant. Accordingly, during the year NIL options under ESOS 2008 – Series I (Previous Year 2,46,000) vested and NIL options under ESOS 2008 – Series II (Previous Year 4,84,750) vested [including NIL options under ESOS 2008 – Series II (Previous Year 1,500) vested and lapsed]. The options can be exercised over a period of five years from the date of respective vesting.

Note 21 (Continued)

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

Method used for accounting for share based payment plan:

The Company has used intrinsic value method to account for the compensation cost of stock options granted to the employees and directors of the Company. Intrinsic value is the amount by which the fair value of the underlying equity share of the Company exceeds the exercise price of the option. Since options under ESOS 2008 – Series I were granted at an exercise price less than the fair value of the underlying equity shares of the Company, the intrinsic value of each option under ESOS 2008 – Series I was ₹360/-. Options under ESOS 2008 – Series II, ESOS 2009 – Series I, ESOS 2012 – Series I and ESOS 2012 – Series II were granted at the fair value of the underlying equity shares of the Company.

Movement in the options under ESOS 2008 & ESOS 2009:

	No. of Options					
	Current Year			Previous Year		
	ESOS 2008		ESOS 2009	ESOS 2008		ESOS 2009
	Series I	Series II	Series I	Series I	Series II	Series I
Outstanding at the beginning of the year	2,10,000	3,08,300	96,500	3,24,500	6,93,150	1,04,000
Granted during the year	Nil	Nil	Nil	Nil	Nil	Nil
Exercised during the year	2,10,000	2,53,800	91,500	1,14,500	3,83,350	7,500
Lapsed during the year	Nil	Nil	Nil	Nil	1,500	Nil
Outstanding at the end of the year	Nil	54,500	5,000	2,10,000	3,08,300	96,500
Exercisable at the end of the year	Nil	54,500	5,000	2,10,000	3,08,300	96,500

Movement in the options under ESOS 2012:

	No. of Options			
	Current Year		Previous Year	
	ESOS 2012		ESOS 2012	
	Series I	Series II	Series I	Series II
Outstanding at the beginning of the year	Nil	Nil	Nil	Nil
Granted during the year	8,70,000	90,000	Nil	Nil
Exercised during the year	Nil	Nil	Nil	Nil
Lapsed during the year	Nil	Nil	Nil	Nil
Outstanding at the end of the year	8,70,000	90,000	Nil	Nil
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.

Note 21 (Continued)**Fair value methodology:**

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

The key assumptions used in Black-Scholes model for calculating fair value under ESOS 2008 – Series I, ESOS 2008 – Series II, ESOS 2009 – Series I, ESOS 2012 – Series I and ESOS 2012 – Series II as on the date of grant were:

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

Particulars	ESOS 2012-Series I	ESOS 2012-Series II
Date of grant	14 th September 2012	14 th September 2012
Risk-free interest rate	7.79% p.a.	7.82% - 7.85% p.a.
Expected average life	3.54 years	4 - 6 years
Expected volatility	0%	0%
Dividend yield	1.93% p.a.	1.93% p.a.
Fair value of the option	₹ 373/-	₹ 497/-

Details of modifications in terms and conditions of ESOSs:

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

Note 21 (Continued)

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

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

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

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

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

Impact of fair value method on net profit and earning per share:

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

(Amount in ₹)

Particulars	Current Year	Previous Year
Net Profit (as reported)	318,74,81,924	269,13,48,030
Add: Stock-based employee compensation expense included in the net income (Gross ₹ NIL; Previous Year ₹ 83,11,015)	—	56,14,506
Less: Stock-based employee compensation expense determined under fair value based method (Gross ₹ 17,90,11,403; Previous Year ₹ 3,06,46,628) (pro forma)	12,09,31,153	2,07,03,330
Net Profit (pro forma)	306,65,50,771	267,62,59,206

Note 21 (Continued)

(Amount in ₹)

Particulars	Current Year	Previous Year
Basic earning per share (as reported)	126.43	106.76
Basic earning per share (pro forma)	121.63	106.16
Diluted earning per share (as reported)	126.04	104.92
Diluted earning per share (pro forma)	121.42	104.33

- 21.11** (a) In terms of interim order dated 17 June 2010 and letter dated 5 July 2011 received from Securities and Exchange Board of India (SEBI), the Company has deposited ₹ 2,58,62,200 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 Short-Term Loans and Advances (note 15).
- (b) The exact liability, if any, on the Company in connection with the aforesaid matter cannot be determined at this stage.

21.12 Income in Foreign Currency

(Amount in ₹)

	Current Year	Previous Year
Investment Advisory Fee	72,86,390	1,11,35,224
Interest Income	20,112	19,283

21.13 Payments in Foreign Currency

A) Expenditure

(Amount in ₹)

	Current Year	Previous Year
i) Staff Training Expenses	—	29,483
ii) Travelling Expenses	18,45,882	15,11,190
iii) Overseas Representative Office Expenses	1,36,14,414	1,25,46,192
iv) Professional Fees	507,505	49,61,772
v) Business Promotion	43,50,000	—

Note 21 (Continued)

B) Dividend

(Amount in ₹)

	Current Year	Previous Year
Interim Dividend on Equity Shares		
(a) Year to which the dividend relates	2012-13	2011-12
(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)	44,28,33,600	33,21,25,200

21.14 Comparatives Figures

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

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
James Aird

Mumbai, April 29, 2013

Milind Barve
Managing Director

Piyush Surana
Chief Financial Officer

Sylvia Furtado
Company Secretary