



**HDFC Pension Management Company Limited**

**Annual Report**

### **Board of Directors**

Dr S.A Dave, *Non-Executive Independent Director (upto August 10, 2017)*

Mr Prasad Chandran, *Non-Executive Independent Director (w.e.f August 21, 2017)*

Mr AKT Chari, *Non-Executive Independent Director*

Mr Amitabh Chaudhry, *Non-Executive Director*

Ms Vibha Padalkar, *Non-Executive Director*

### **Manager [Designated as 'Chief Executive Officer']**

Mr Sumit Shukla

### **Chief Financial Officer**

Mr Fagun Pancholi

### **Company Secretary & Compliance Officer**

Mr Nagesh Pai

### **Statutory Auditors**

M/s Kirtane & Pandit LLP (*For Company financials*)

M/s TR Chadha & Co LLP (*For Scheme financials*)

### **Registered Office**

14<sup>th</sup> Floor, Lodha Excelus, Apollo Mills Compound

N M Joshi Marg, Mahalaxmi, Mumbai - 400 011

### **Bankers**

HDFC Bank Limited

Axis Bank Limited

**DIRECTORS' REPORT****TO  
THE MEMBERS OF  
HDFC PENSION MANAGEMENT COMPANY LIMITED**

The Directors have pleasure in presenting the 7<sup>th</sup> Annual Report of HDFC Pension Management Company Limited ("Company") on its business and operations, along with the Audited Financial Statements for FY2018 ("the financial year" or "year").

**FINANCIAL PERFORMANCE**

The financial performance of the company for the financial year along with previous year figures is summarized as under:

(₹. Thousands)

<b>Particulars</b>	<b>FY2018</b>	<b>FY2017</b>
Gross Income	25,531	24,357
Total Expenses	26,740	27,416
<b>Loss before Tax</b>	<b>(1,209)</b>	<b>(3,059)</b>
Provision for Tax	-	-
<b>Loss after Tax</b>	<b>(1,209)</b>	<b>(3,059)</b>
Balance of Loss from previous years	(8,336)	(5,277)
Loss carried forward to the Balance Sheet	(9,545)	(8,336)

**DIVIDEND AND RESERVES**

In view of the Company incurring losses, the Directors do not recommend any dividend for the Financial Year.

The Company does not propose to transfer any amount to reserves.

**SHARE CAPITAL**

There was no change in the Company's paid up share capital during the year, which stood at ₹ 28 Crs as on March 31, 2018. The entire paid-up share capital of the Company is held by HDFC Standard Life Insurance Company Limited and its nominees.

The Company has not issued any bonus shares, sweat equity shares, shares with differential voting rights or equity shares on right basis during the year under review.

## BUSINESS REVIEW AND OUTLOOK

During FY2018, the general business environment had been good for Pension Funds with the industry keeping up the momentum in line with the previous financial year.

The overall Assets Under Management ('AUM') of all the Pension Funds combined, i.e. corporate and retail sector, grew from ₹ 7,017.70 Crs as on March 31, 2017 to ₹ 11,965.80 Crs as on March 31, 2018, registering a growth of approximately 69 per cent. The overall subscriber base of corporate sector grew by nearly 38 per cent, with approximately 1000 new corporates joining the National Pension System ('NPS') architecture. The retail sector grew by 58 per cent, with 691578 subscribers as on March 31, 2018, in comparison to 437088 subscribers as on March 31, 2017.

During the FY2018, the Company registered an AUM growth of approximately 120 per cent, crossing the milestone of ₹ 2,500.00 Crs. As on March 31, 2018, the AUM of the Company stood at ₹ 2,560.30 Crs as compared to ₹ 1,163.00 Crs as on the end of previous financial year. In the corporate sector NPS, the Company sourced 525 new corporates in FY2018 commanding more than 45 per cent market share in that particular space. The Company consolidated itself in the retail sector as well by registering a subscriber growth of 93 per cent.

## KEY REGULATORY CHANGES

FY2018 witnessed a few of regulatory changes on the NPS front. Some of the key regulatory changes during the year were as follows:

- Considering that POPs were not marketing NPS aggressively because of low charges, PFRDA made an upward revision to the subscriber enrollment charge payable to POP's, which was raised from ₹ 125 to ₹ 200. Further, an amount of ₹ 50 for each active retail customer was introduced for POP by way of persistency income;
- PFRDA had come out with the concept of Retirement Advisor to join NPS architecture to market NPS. With an objective of having more such advisors in the architecture, PFRDA reduced the quantum of joining / registration fees and security deposit. The Company believes that this initiative will lead to more such advisors joining NPS architecture in future;
- In order to let senior citizens join the NPS, the entry age for NPS increased from 60 to 65;

- In order to encourage more participation in equity funds, a concept paper was released with a proposal to increase the equity investment cap to 75 per cent from the existing 50 per cent for active choice subscribers;
- The PFRDA vide a Circular dated May 4, 2017 discontinued investments in Scheme A through Tier-II accounts, since the fund inflow in those respective accounts had been significantly lower;
- With an objective of formalizing the risk management procedures for managing Cyber risks, a formal framework on Cyber Security was issued by the PFRDA, through which every Pension Fund was required to have in place a Board approved Cyber Security Policy, and also to designate a Chief Information Security Officer ('CISO'). As on the date of this report, the Company has in place a Cyber Security Policy in line with the requirements of the PFRDA Circular, and has also designated a CISO;
- The Investment Guidelines were further modified by PFRDA vide a Circular dated October 9, 2017. Amongst other changes, the equity investment limit in non-sponsor group companies was enhanced to 15 per cent of the fund size, which was 10 per cent previously. Further, investments in Basel III Tier-I bonds was allowed upto 5 per cent of the total AUM;
- The PFRDA also issued a Circular on Guidelines on Outsourcing of activities by Pension Fund. The Circular classified the activities as 'Core' & 'Non-Core', and prohibited outsourcing of activities which were classified as 'Core'. The Circular also required every Pension Fund to have a Board approved Outsourcing Policy, which was to be implemented either by an Outsourcing Committee or the Risk Management Committee. As on the date of this report, the Company has an Outsourcing Policy approved by its Board, and the Risk Management Committee has been designated as the Outsourcing Committee.

## NETWORTH

The PFRDA (Pension Fund) Regulations, 2015 require a private sector Pension Fund to maintain a minimum positive tangible networth of ₹ 25.00 Crs.

As on March 31, 2018, the tangible networth of the Company stood at ₹ 27.04 Crs.

## BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### Board of Directors

The Board of Directors of the Company ('Board') is responsible to oversee the business and operations of the Company. The Company has an optimum mix of non-independent and Independent Directors. As on the date of making this report, the Board has been duly

constituted, comprising of four Directors, which include two Independent Directors and two Non-Executive Directors, out of which one is a Woman Director.

### **Independent Directors**

Dr S.A Dave who was appointed as an Independent Director of the Company w.e.f March 6, 2013 had resigned w.e.f August 10, 2017. The Board appreciates the contribution made by him to the business and growth of the company during his tenure as Director.

Mr Prasad Chandran was appointed as an Additional Director of the company categorised as 'Independent Director' on August 21, 2017, and holds office till the ensuing Annual General Meeting. In line with the provisions of the Act, the appointment of Mr Prasad Chandran are proposed to be regularized at the forthcoming Annual General Meeting for a period of 5 years from the date of his initial appointment, and the relevant resolution and disclosures for his appointment forms a part of the Notice of the 7<sup>th</sup> Annual General Meeting ('AGM').

Further, the Independent Directors are not liable to retire by rotation, and therefore shall not be counted for determining the number of Directors liable to retire by rotation.

### **Non-Independent Director**

Ms Vibha Padalkar, being a non-Independent Director, is liable to retire by rotation at the forthcoming AGM and is eligible for re-appointment.

A resolution for the said purpose along with a brief profile of Ms Vibha Padalkar forms part of the Notice of the forthcoming AGM of the Company.

### **Statement on Non-disqualification of Directors**

None of the Directors are disqualified under Section 164 of the Companies Act, 2013 ("the Act"), to act as Director.

### **Statement on Declaration by Independent Directors**

The Independent Directors of the Company have confirmed that they meet the criteria of Independence as provided under Section 149 of the Act.

### **Key Managerial Personnel**

Mr Sumit Shukla, Manager, (designated as Chief Executive Officer), Mr Fagun Pancholi, Chief Financial Officer, and Mr Nagesh Pai, Company Secretary & Compliance Officer, are designated as "Key Managerial Personnel" of the Company.

Mr Nagesh Pai has also been designated as the Compliance Officer under the applicable PFRDA Regulations.

There was no change in the Key Managerial Personnel during the FY2018.

During FY2018, four (4) meetings of the Board of Directors of the company were held on April 24, 2017, July 13, 2017, October 6, 2017 and January 12, 2018 and the maximum gap between two meetings did not exceed 120 days.

## BOARD COMMITTEES

The Board of Directors have constituted the following committees in compliance with the requirements of the Act read with the Pension Fund Regulatory and Development Authority (Pension Fund) Regulations, 2015 and the Investment Management Agreement executed with the NPS Trust. The details of the Committees are as follows:

Committees	Key Terms of Reference	Members	No of meetings held during the year and attendance of members
Investment Committee	<ul style="list-style-type: none"> <li>To formulate, implement and periodically review the Investment Policy of the Company</li> <li>To review changes in the Engagement Team and other matters relating to Investments</li> </ul>	<ul style="list-style-type: none"> <li>Mr AKT Chari, <i>Independent Director</i></li> <li>Mr Amitabh Chaudhry, <i>Non-Executive Director</i></li> <li>Ms Vibha Padalkar, <i>Non-Executive Director</i></li> <li>Mr Sumit Shukla, <i>Chief Executive Officer</i></li> <li>Mr Ashish Narula, <i>Chief Investment Officer</i></li> </ul>	<p>4</p> <p>All meetings held during the financial year were attended by all Members, except for the below mentioned:</p> <p>1. One meeting held on October 6, 2018 wherein leave of absence was granted to Mr Ashish Narula.</p>
Risk Management Committee	<ul style="list-style-type: none"> <li>To formulate and implement and periodically review the Risk Management Policy</li> <li>To oversee the Risk Management functions, disaster recovery and business contingency</li> </ul>	<ul style="list-style-type: none"> <li>Mr Prasad Chandran*, <i>Independent Director</i>;</li> <li>Mr Amitabh Chaudhry, <i>Non Executive Director</i>;</li> <li>Ms Vibha Padalkar, <i>Non-Executive Director</i>;</li> </ul>	<p>4</p> <p>All meetings held during the financial year were attended by all Members, except for the below mentioned:</p>

Committees	Key Terms of Reference	Members	No of meetings held during the year and attendance of members
	<p>plans</p> <ul style="list-style-type: none"> <li>To implement the Outsourcing Policy as approved by the Board of Directors, and carry out such tasks and responsibilities mentioned in the Guidelines on Outsourcing of Activities by Pension Funds issued by the Pension Fund Regulatory and Development Authority with regards to Outsourcing Committee</li> </ul>	<ul style="list-style-type: none"> <li>Mr Sumit Shukla, <i>Chief Executive Officer</i>;</li> <li>Mr Ashish Narula, <i>Chief Investment Officer</i>;</li> <li>Mr Nagesh Pai, <i>Company Secretary &amp; Compliance Officer</i></li> </ul>	<p>1. One meeting held on October 6, 2018 wherein leave of absence was granted to Mr Ashish Narula</p> <p>2. One meeting held on January 12, 2018 wherein leave of absence was granted to Mr Prasad Chandran.</p>
Audit Committee	<ul style="list-style-type: none"> <li>To review the financial statements before submission thereof to the Board of Directors;</li> <li>To recommend the appointment of Statutory Auditors/Internal Auditors review their performance and effectiveness of audit process;</li> <li>To approve related party transactions;</li> <li>To evaluate internal financial controls and risk management systems</li> </ul>	<ul style="list-style-type: none"> <li>Mr Prasad Chandran*, <i>Independent Director</i>;</li> <li>Mr AKT Chari, <i>Independent Director</i></li> <li>Mr Amitabh Chaudhry, <i>Non Executive Director</i>;</li> </ul>	<p>4</p> <p>All meetings held during the financial year were attended by all Members, except for the below mentioned:</p> <p>1. One meeting held on January 12, 2018 wherein leave of absence was granted to Mr Prasad Chandran.</p>
Nomination & Remuneration Committee	<ul style="list-style-type: none"> <li>To formulate and implement a Remuneration Policy;</li> <li>To undertake performance review of every individual</li> </ul>	<ul style="list-style-type: none"> <li>Mr Prasad Chandran*, <i>Independent Director</i>;</li> <li>Mr AKT Chari, <i>Independent Director</i></li> <li>Mr Amitabh Chaudhry,</li> </ul>	<p>1</p> <p>The meeting held during the financial year was attended by all extant Members</p>

Committees	Key Terms of Reference	Members	No of meetings held during the year and attendance of members
	performance; • To undertake succession planning activity	<i>Non Executive Director</i>	

\*Mr Prasad Chandran was appointed as an Additional Director, categorised as 'Independent Director' w.e.f. August 21, 2017. Further, the Risk Management Committee, Audit Committee and Nomination & Remuneration Committee were also reconstituted wherein he was inducted as a member in the Committees w.e.f. August 21, 2017.

Dr S.A Dave resigned as Independent Director and ceased to be member of the Risk Management Committee, Audit Committee and Nomination & Remuneration Committee w.e.f. August 10, 2017.

### Recommendations by the Audit Committee

During FY2018, there were no instances where the recommendations made by the Audit Committee were not accepted by the Board.

## PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

### Conservation of Energy and Technology Absorption

The Company has not incurred any expenditure on conservation of energy, research and development or towards technology absorption and therefore there are no disclosures with respect to the same.

### Foreign Exchange Earnings and Outgo

There were no foreign exchange earnings and outgo during the FY2018.

## POLICY ON APPOINTMENT AND REMUNERATION OF DIRECTORS

The Company has put in place a Policy on remuneration of Directors, Key Managerial Personnel and other employees. The said Policy is guided by the set of principles and objectives as envisaged under section 178 of the Act, which *inter alia* include principles pertaining to determining the qualifications, positive attributes, integrity and independence of Director etc.

The Nomination & Remuneration Committee of the Board deals with matters related to remuneration of employees of the Company. The Independent Directors remuneration comprise of sitting fees for attending the meetings of Board and Committees of the Board.

### **PERFORMANCE EVALUATION OF THE BOARD OF DIRECTORS**

Pursuant to and in line with the requirements prescribed under the Companies Act, 2013, the Board of Directors carried out an annual evaluation of its performance, and that of its Committees and Individual Directors. Further, the Independent Directors met separately, without the attendance of non-Independent Directors and Members of the Management, and inter alia reviewed the performance of non-independent directors, and the Board as a whole.

They further assessed the quality, quantity and timeliness of flow of information between the Company Management and the Board. Overall, the Independent Directors expressed their satisfaction on the performance and effectiveness of the Board, all the Committees, Individual non-Independent Board Members, and on the quality, quantity and timeliness of flow of information between the Company Management and the Board. The Independent Directors shared additional suggestions on certain aspects to further improve the processes. The Independent Directors expressed their satisfaction with the conduct and efficiency of the Board and Board Committees.

The Nomination & Remuneration Committee also undertook an evaluation of Individual Director's performance and expressed its satisfaction on performance of each Director.

The Board conducted the review of each Director's performance, Board as a whole and performance of Committees of the Board, and expressed its satisfaction. There has been no material adverse observation or conclusion, consequent to such evaluation and review.

### **PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS**

During the year under review, the Company has not given any loans and guarantees which attract the provisions of Section 186 of the Act. For the particulars of investments made during the year, please refer Notes to Accounts.

### **EMPLOYEES STOCK OPTION**

During the FY2018, the Company has not granted stock options to any of its employees. However, the Key Managerial Personnel of the Company have been granted Stock Options by the Holding Company i.e. HDFC Standard Life Insurance Company Limited.

During the year, there were no instances of loan granted by the Company to its employees for purchasing / subscribing to its shares.

### **SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES**

During the year under review, no Company has become or ceased to be subsidiary, associate or joint venture of the company. The provisions regarding receipt of remuneration or commission from holding or subsidiary company are not applicable and hence, the disclosure under Section 197(14) is not required.

## RELATED PARTY TRANSACTIONS

As per Section 177, read with Section 188 of the Act, the Audit Committee of the Board of Directors, at its quarterly meetings, approved the related party transactions. Since all the transactions entered into by the Company during FY2018 have been on arms length basis and are in ordinary course of business, the approval of the Board or the Shareholders was not required.

## DEPOSITS

The Company did not accept any Deposits within the meaning of Section 73 of the Companies Act, 2013 and rules framed thereunder, from the Members or from the public during the financial year under review.

## AUDITORS

M/s Kirtane & Pandit LLP, Chartered Accountants are presently the Statutory Auditors of the Company. As per the PFRDA (Appointment of Auditors) Guidance Note, 2012, as amended, read with provisions of the Act, M/s Kirtane & Pandit LLP, Chartered Accountants were appointed for a period of 3 years, i.e. upto the conclusion of the 8<sup>th</sup> AGM, at the AGM of the company held on June 10, 2016.

The provisions of the Act further require that the appointment of the Statutory Auditors should be ratified at every AGM during their tenure as Statutory Auditors. Accordingly, the Shareholders are requested to approve the proposal for ratification of appointment of M/s Kirtane & Pandit LLP, Chartered Accountants for FY2018-19.

The Statutory Auditors' have not made any qualification, reservation or adverse remark or disclaimer in their Audit Report for FY2018.

## ANNUAL RETURN EXTRACT

The extract of Annual Return of the Company in the prescribed form MGT-9 has been annexed to this Report.

## SECRETARIAL COMPLIANCE CERTIFICATE

As a part of good governance practice, the Company voluntarily undertakes an audit of the Secretarial records and had engaged the services of Mr DM Dalal, Practising Company Secretary, to conduct the audit for FY2018. The Auditor has not made any qualification, reservation or adverse remark or disclaimer in his Secretarial Compliance Certificate.

## REMUNERATION OF DIRECTORS AND OTHER EMPLOYEES

The details of remuneration paid to Directors are mentioned in the below table:

Sr No	Name of Director	Particulars of Remuneration	Remuneration paid (₹.)
1	Dr S.A Dave	Sitting Fees for attending meetings of the Board and Board Committees (Upto August 10, 2017)	70,000
2	Mr Prasad Chandran	Sitting Fees for attending meetings of the Board and Board Committees (After August 21, 2017)	30,000
3	Mr AKT Chari	Sitting Fees for attending meetings of the Board and Board Committees	1,30,000

## RISK MANAGEMENT, INTERNAL AUDIT FRAMEWORK & VIGIL MECHANISM

### Risk Management

The Company firmly recognises Risk Management as an integral building block to proactively manage risks and maximize opportunities related to achievement of strategic objectives. The Risk Management function is primarily responsible for identification and classification of material risks, recommending risk control mitigants, implementation of risk management framework and to periodically update the Risk Management Committee on the risk profile and status. The Company has put in place a Risk Management Policy ('Policy'), which provides a base for the overall risk management framework of the Company.

The Policy is reviewed by the Risk Management Committee and the Board on a quarterly basis.

### Internal Audit Framework and Internal Financial Controls

The Company has in place an Internal Audit framework. Internal Audit is conducted by an independent firm of Chartered Accountants as per the scope of audit defined in PFRDA (Appointment of Internal Auditor) Guidance Note-2013. The audit process also factors in verifying compliance with process, systems, regulatory guidelines and controls.

Internal Audit Reports are placed at Audit Committee to discuss the audit observations and recommendations. The Internal Auditors and the Audit Committee track the status of implementation of various recommendations/actionables. The internal audits, in addition to

ensuring compliance to policies, regulations, processes etc also test and report adequacy of internal financial controls with reference to financial reporting/statements.

### **Vigil Mechanism**

In terms of the provisions of the Act read with the Companies (Meeting and Powers of the Board of Directors) Rules, 2014, the Company is not required to have a Vigil Mechanism in place.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

In accordance with the requirements of Section 134 of the Companies Act, 2013, the Board of Directors state that:

- (i) In the preparation of the annual accounts, the applicable Accounting Standards have been followed, along with proper explanation relating to material departures (if any);
- (ii) Such accounting policies have been selected and applied consistently, and judgments and estimates made that are reasonable and prudent, so as to give a true and fair view of the Company's state of affairs, as on March 31, 2018, and of the Company's loss for the year ended on that date;
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records, in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The annual accounts have been prepared on a going concern basis; and
- (v) Proper systems have been devised to ensure compliance with the provisions of all applicable laws, and such systems were adequate and operating effectively.

### **MATERIAL ORDERS AFFECTING THE COMPANY**

It may be noted that, in 2014, the Pension Fund Regulatory & Development Authority ("PFRDA") issued a Request for Proposal ("RFP") inviting bids from Sponsors to select new Pension Fund Managers. The bid of HDFC Standard Life Insurance Company Limited, the Holding Company to this RFP was rejected by the PFRDA on the ground that it did not meet certain eligibility criteria under the RFP. The Hon'ble Delhi High Court, however, set aside the rejection, directing the PFRDA to grant a Letter of Appointment to HDFC Standard Life Insurance Company Limited thereby allowing the Company to continue its business. While the PFRDA issued a Letter of Appointment to HDFC Standard Life Insurance Company Limited, it also challenged the Hon'ble High Court's decision before the Hon'ble Supreme Court of India by way of a Special Leave Petition ("SLP").

During the FY2018, the Hon'ble Supreme Court, by its order dated July 31, 2017, dismissed the PFRDA's SLP and refused to interfere with the Hon'ble High Court's decision. Accordingly, the Letter of Appointment issued to HDFC Standard Life Insurance Company Limited stands unqualified, with the appointment of the company as a Pension Fund being confirmed.

### **MATERIAL EVENTS FROM CLOSE OF FINANCIAL YEAR**

There have been no material events impacting the finances of the Company from the close of the financial under review, till the date of this report.

### **OTHER DISCLOSURES**

1. The Company has not received any complaints under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.
2. The Provisions relating to constitution of Corporate Social Responsibility Committee are not applicable to the company.
3. The Statutory Auditor of the Company has not reported any instances of fraud or irregularities in the management of the company during the financial year under review.
4. The company has complied with the Secretarial Standards on Meeting of Board of Directors and on General Meetings during the financial year under review.

### **APPRECIATION AND ACKNOWLEDGEMENT**

The Board of Directors thanks the subscribers, customers and business associates for reposing their trust in the Company. The Directors also thank the Company's employees for their continued hard work, dedication and commitment; and the Management for continuing success of the business.

The Directors further take this opportunity to thank HDFC Standard Life Insurance Company Limited, the Sponsor Company for their continued support and guidance. The Directors would also like to thank the Pension Fund Regulatory and Development Authority, and other Government authorities for their support, advice and direction provided from time to time.

**On behalf of the Board of Directors  
For HDFC Pension Management Company Limited**

Mumbai  
April 16, 2018

**AKT Chari**  
**Director**  
**DIN: 00746153**

**Amitabh Chaudhry**  
**Director**  
**DIN: 00531120**

**Form No MGT-9****EXTRACT OF ANNUAL RETURN****As on the financial year ended on March 31, 2018**

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

<b>I. REGISTRATION AND OTHER DETAILS</b>	
i) CIN	U66020MH2011PLC218824
ii) Registration Date	20/06/2011
iii) Name of the Company	HDFC Pension Management Company Limited
iv) Category / Sub Category of the Company	Public Company / Company Limited by Shares
v) Address of the Registered office and contact details	14 <sup>th</sup> Floor, Lodha Excelus, Apollo Mills Compound, N M Joshi Marg, Mahalaxmi, Mumbai - 400 011. Telephone: 022-6751 6666 Fax: 022-6751 6333 Email: <a href="mailto:hdfcpensioninvest@hdfcpension.com">hdfcpensioninvest@hdfcpension.com</a>
vi) Whether listed Company	Yes (x) No (✓)
vii) Name, Address and Contact details of Registrar and Transfer Agent	Datamatics Financial Services Ltd Plot No. B-5 Part B Cross lane MIDC Andheri (East) Mumbai 400 093. Telephone No: +91-22-66712151 to 66712156. Fax no. : +91-22-66712011 Email: <a href="mailto:investorsqry@dfssl.com">investorsqry@dfssl.com</a>

<b>II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY</b>			
All the business activities contributing 10% or more of the total turnover of the Company shall be stated			
Sl No	Name and Description of main products/ services	NIC Code of the Product / Service (As per NIC Code 2008)	% to total turnover of the Company
1	Pension Fund Management	65300	100.00

<b>III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES</b>					
Sl No	Name and Address of the Company	CIN/ GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	HDFC Standard Life Insurance Company Limited Add.:13 <sup>th</sup> Floor, Lodha Excelus, Apollo Mills	L65110MH2000PLC128245	Holding Company	100.00	Section 2(46) of the Companies Act, 2013

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES					
Sl No	Name and Address of the Company	CIN/ GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
	Compound, Mahalaxmi, Mumbai- 400 011.				
2	Housing Development Finance Corporation Limited* Add.: Ramon House, 169, Backbay Reclamation, H T Parekh Marg, Mumbai- 400 020	L70100MH1977PLC019916	Holding Company	0.00	Section 2(46) of the Companies Act, 2013

\*Housing Development Finance Corporation Limited is the Holding Company of HDFC Standard Life Insurance Company Limited.

The Company does not have a Subsidiary Company

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)									
(i) Category-wise Shareholding									
Category of Shareholders	Number of shares held at the beginning of the year				Number of shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
(a) Individual / HUF	0	0	0	0.00	0	0	0	0.00	0.00
(b) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
(c) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00
(d) Bodies Corp*	0	2,80,00,000	2,80,00,000	100.00	0	2,80,00,000	2,80,00,000	100.00	0.00
(e) Banks/ FI	0	0	0	0.00	0	0	0	0.00	0.00
(f) Any other	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-total (A) (1)</b>	<b>0</b>	<b>2,80,00,000</b>	<b>2,80,00,000</b>	<b>100.00</b>	<b>0</b>	<b>2,80,00,000</b>	<b>2,80,00,000</b>	<b>100.00</b>	<b>0.00</b>

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<b>(2) Foreign</b>									
(a) NRIs – Individuals	0	0	0	0.00	0	0	0	0.00	0.00
(b) Other – Individuals	0	0	0	0.00	0	0	0	0.00	0.00
(c) Bodies Corp	0	0	0	0.00	0	0	0	0.00	0.00
(d) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
(e) Any other	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-total (A) (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Shareholding of Promoter (A) = (A) (1) + (A) (2)</b>	<b>0</b>	<b>2,80,00,000</b>	<b>2,80,00,000</b>	<b>100.00</b>	<b>0</b>	<b>2,80,00,000</b>	<b>2,80,00,000</b>	<b>100.00</b>	<b>0.00</b>
<b>B. Public Shareholding (1) Institutions</b>									
(a) Mutual Funds	0	0	0	0.00	0	0	0	0.00	0.00
(b) Banks/ FI	0	0	0	0.00	0	0	0	0.00	0.00
(c) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
(d) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00
(e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
(f) Insurance Companies	0	0	0	0.00	0	0	0	0.00	0.00
(g) FIs	0	0	0	0.00	0	0	0	0.00	0.00
(h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
(i) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-total (B) (1)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>(2) Non-Institutions</b>									
(a) Bodies Corp - Indian - Overseas	0	0	0	0.00	0	0	0	0.00	0.00
(b) Individuals - Individual shareholders holding nominal share capital upto ₹ 1 lakh	0	0	0	0.00	0	0	0	0.00	0.00

- Individual shareholders holding nominal share capital in excess of ₹ 1 lakh									
(c) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-total (B) (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Public Shareholding (B) = (B) (1) + (B) (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>Grand Total (A+B+C)</b>	<b>0</b>	<b>2,80,00,000</b>	<b>2,80,00,000</b>	<b>100.00</b>	<b>0</b>	<b>2,80,00,000</b>	<b>2,80,00,000</b>	<b>100.00</b>	<b>0.00</b>

\*Out of the above mentioned 2,80,00,000 Equity Shares, 6 shares (one each) are held by below mentioned individuals as nominee shareholders of HDFC Standard Life Insurance Company Limited:

1. Amitabh Chaudhry
2. Vibha Padalkar
3. Rajendra Ghag
4. Subrat Mohanty
5. Srinivasan Parthasarathy
6. Suresh Badami

<b>(ii) Shareholding of Promoters</b>								
Sl No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			
		Number of shares	% of total shares of the Company	&of shares pledged/encumbered to total shares	Number of shares	% of total shares of the Company	&of shares pledged/encumbered to total shares	% change in share holding during the year
1	*HDFC Standard Life Insurance Company	2,80,00,000	100.00	0.00	2,80,00,000	100.00	0.00	0.00

	Limited							
	<b>Total</b>	<b>2,80,00,000</b>	<b>100.00</b>	<b>0.00</b>	<b>2,80,00,000</b>	<b>100.00</b>	<b>0.00</b>	<b>0.00</b>

\*Out of the above mentioned 2,80,00,000 Equity Shares, 6 shares (one each) are held by below mentioned individuals as nominee shareholders of HDFC Standard Life Insurance Company Limited

1. Amitabh Chaudhry
2. Vibha Padalkar
3. Rajendra Ghag
4. Subrat Mohanty
5. Srinivasan Parthasarathy
6. Suresh Badami

<b>(iii) Changes in Promoters' Shareholding (please specify, if there is no change)</b>							
Sl No	Date wise increase/ decrease in promoters shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/ bonus/ sweat equity etc)	Shareholding at the beginning of the year			Cumulative Shareholding during the year		
		Number of shares	% of total shares of the Company	% of shares pledged/ encumbered to total shares	Number of shares	% of total shares of the Company	% of shares pledged/ encumbered to total shares
<b>1</b>	<b>HDFC Standard Life Insurance Company Limited</b>	There was no change in the shareholding of HDFC Standard Life Insurance Company Limited					

<b>(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)</b>					
Sl No	For each of the top 10 Shareholders  Date wise increase/ decrease in promoters shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/ bonus/ sweat equity etc)	Shareholding at the beginning of the year		Cumulative Shareholding at the during the year	
		Number of shares	% of total shares of the Company	Number of shares	% of total shares of the Company
The entire paid-up share capital of the Company is held by HDFC Standard Life Insurance Company Limited and its Nominees					

<b>(v) Shareholding of Directors and Key Managerial Personnel</b>					
Sl No	For each of the Directors and KMP  Date wise increase/ decrease in promoters shareholding during the year specifying the reasons	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		Number of shares	% of total shares of the Company	Number of shares	% of total shares of the Company

	for increase/ decrease (e.g. allotment/ transfer/ bonus/ sweat equity etc)				
<b>1</b>	<b>Mr Prasad Chandran (Non-Executive Independent Director)</b>				
	At the beginning of the year	-	-	-	-
	At the end of the year	-	-	-	-
<b>2</b>	<b>Mr AKT Chari (Non-Executive Independent Director)</b>				
	At the beginning of the year	-	-	-	-
	At the end of the year	-	-	-	-
<b>3</b>	<b>Mr Amitabh Chaudhry (Non-Executive Director)</b>				
	At the beginning of the year	-	-	-	-
	At the end of the year	-	-	-	-
<b>4</b>	<b>Ms Vibha Padalkar (Non-Executive Director)</b>				
	At the beginning of the year	-	-	-	-
	At the end of the year	-	-	-	-
<b>5</b>	<b>Mr Sumit Shukla [Manager (designated as Chief Executive Officer)]</b>				
	At the beginning of the year	-	-	-	-
	At the end of the year	-	-	-	-
<b>6</b>	<b>Mr Fagun Pancholi (Chief Financial Officer)</b>				
	At the beginning of the year	-	-	-	-
	At the end of the year	-	-	-	-
<b>7</b>	<b>Mr Nagesh Pai (Company Secretary)</b>				
	At the beginning of the year	-	-	-	-
	At the end of the year	-	-	-	-

<b>V. INDEBTEDNESS</b>					
<b>Indebtedness of the Company including interest outstanding/ accrued but not due for payment</b>					
	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness	
<b>Indebtedness at the beginning of the financial year</b>					
i) Principal amount	0	0	0	0	
ii) Interest due but not paid	0	0	0	0	
iii) Interest accrued but not due	0	0	0	0	
<b>Total (i+ii+iii)</b>	0	0	0	0	
Change in Indebtedness during the financial year	0	0	0	0	
- Addition	0	0	0	0	
- Reduction	0	0	0	0	

<b>Net Change</b>	0	0	0	0
<b>Indebtedness at the end of the financial year</b>				
i) Principal amount	0	0	0	0
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	0	0	0
<b>Total (i+ii+iii)</b>	0	0	0	0

<b>VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL</b>			
<b>A. The details on remuneration to Manager (designated as Chief Executive Officer) are given below:</b>			
(Amount in ₹.)			
Sl No	Particulars of Remuneration	Mr Sumit Shukla Manager (designated as Chief Executive Officer)	Total
1	Gross Salary:	96,98,722	96,98,722
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	-	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	-	-
2	Stock Options (Number of Options)	-	-
3	Sweat Equity	-	-
4	Commission:		
	- As % of profits	-	-
	- Others, specify	-	-
5	Others, please specify	-	-
	<b>Total (A)</b>	96,98,722	96,98,722
	Ceiling as per the Act		3,36,00,000

<b>B. The details on remuneration to other Directors are given below:</b>					
(Amount in ₹.)					
SI No	Particulars of Remuneration	Name of Directors			Total Amount
<b>1</b>	<b>Independent Directors</b>	<b>Mr Prasad Chandran</b>	<b>Mr AKT Chari</b>	<b>Dr S.A Dave</b>	
	Fee for attending Board/ Committee meetings	30,000	130,000	70,000	<b>230,000</b>
	Commission	-	-	-	-
	Other, please specify	-	-	-	-
	Total (1)	30,000	130,000	70,000	<b>230,000</b>
<b>2</b>	<b>Other Non-Executive Directors</b>	<b>Mr Amitabh Chaudhry</b>	<b>Ms Vibha Padalkar</b>		
	Fee for attending Board/ Committee meetings	-	-	-	-
	Commission	-	-	-	-
	Other, please specify	-	-	-	-
	Total (2)	-	-	-	-
	<b>Total (B) = (1) + (2)</b>	30,000	130,000	70,000	<b>230,000</b>
	Total Managerial Remuneration*	96,98,722			
	<b>Overall ceiling as per the Act</b>	<b>3,36,00,000</b>			

\*The Total Managerial Remuneration is exclusive of Sitting Fees paid to Directors and is within the limits specified under Schedule V of the Companies Act, 2013

<b>C. The details on remuneration to Key Managerial Personnel are given below:</b>				
(Amount in ₹.)				
SI No	Particulars of Remuneration	Mr Fagun Pancholi Chief Financial Officer <sup>#</sup>	Mr Nagesh Pai Company Secretary	Total Amount
1	Gross Salary:			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	61,58,479	27,54,569	<b>89,13,048</b>
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	1,33,492	32,400	<b>1,65,892</b>
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	-	-	-
2	Stock Options (Number of Options)	-	-	-

C. The details on remuneration to Key Managerial Personnel are given below:				
(Amount in ₹.)				
Sl No	Particulars of Remuneration	Mr Fagun Pancholi Chief Financial Officer <sup>#</sup>	Mr Nagesh Pai Company Secretary	Total Amount
3	Sweat Equity	-	-	
4	Commission:			
	- As % of profits	-	-	-
	- Others, specify	-	-	-
5	Others, please specify	-	-	-
	<b>Total (C)</b>	<b>62,91,971</b>	<b>27,86,969</b>	<b>90,78,940</b>

VII. PENALTIES/ PUNISHMENT/ COMPOUNDING OF OFFENCES					
Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD/ NCLT/ Court]	Appeal made, if any (give details)
<b>A. COMPANY</b>					
Penalty			N.A		
Punishment			N.A		
Compounding			N.A		
<b>B. DIRECTORS</b>					
Penalty			N.A		
Punishment			N.A		
Compounding			N.A		
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty			N.A		
Punishment			N.A		
Compounding			N.A		

On behalf of the Board of Directors  
For HDFC Pension Management Company Limited

Mumbai  
April 16, 2018

AKT Chari  
Director  
DIN: 00746153

Amitabh Chaudhry  
Director  
DIN: 00531120

## ***INDEPENDENT AUDITOR'S REPORT***

### **To the Members of HDFC Pension Management Company Limited**

#### **Report on the Financial Statements**

1. We have audited the accompanying financial statements of **HDFC Pension Management Company Limited** (“the Company”), which comprise the Balance Sheet as at March 31, 2018, 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**

2. The management and Board of Directors of the Company are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (“the Act”) with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

3. Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements, that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's management and Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

6. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2018;
  - (b) in case of Statement of Profit & Loss, of the Loss for the year ended March 31, 2018;
  - (c) in the case of the Cash Flow Statement, cash flows for the year ended March 31, 2018.

### **Report on Other Legal and Regulatory Requirements**

7. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-Section (11) of Section 143 of the Act, we give in the Annexure a statement on the matters Specified in paragraphs 3 and 4 of the Order.
8. As required by Section 143(3) of the Act, we further report that:
  - a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 aforesaid financial statements comply with the applicable Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

- e) on the basis of written representations received from the Directors as on March 31, 2018, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2018, from being appointed as a director in terms of Section 164(2) of the Act;
- f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and operating effectiveness of such controls, refer to our separate report in “Annexure B”; and
- g) In our opinion and to the best of our information and according to the explanations given to us, we report as under with respect to other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014:
  - (i) The Company does not have any pending litigations at the end of the financial year;
  - (ii) The Company did not have any long-term contracts including derivative contracts; as such the question of commenting on any material foreseeable losses thereon does not arise
  - (iii) There has not been an occasion in case of the Company during the year under report to transfer any sums to the Investor Education Fund and Protection Fund. The question of delay in transferring such sums does not arise.

**For Kirtane & Pandit LLP**  
**Chartered Accountants**  
Firm Registration No. 105215W/ W100057

**Sandeep D. Welling**

**Partner**  
Membership No.: 044576

Place: Mumbai  
Date: 16<sup>th</sup> April 2018

## **HDFC Pension Management Company Limited**

### **Annexure A to the Auditor's Report – March 31, 2018**

**Annexure A referred to in paragraph 7 of our Report of even date to the members of HDFC Pension Management Company Limited on the accounts of the company for the year ended March 31, 2018.**

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets ;
- (b) As explained to us, fixed assets have been physically verified by the management at regular intervals; as informed to us no material discrepancies were noticed on such verification;
- (c) According to the information and explanation given to us and on the basis of examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) The Management has been conducted physical verification of the inventories at reasonable intervals, no major discrepancies were found in the physical verification. All minor discrepancies have been properly dealt with in books of accounts.
- (iii) The Company has not granted any loans, secured or unsecured to Companies, Firms, LLP or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
- (iv) In respect of loans, investments, guarantees and security, provisions of Section 185 and section 186 of the Companies Act, 2013 have been complied with.
- (v) The Company has not accepted any deposits from the public covered under Section 73 to 76 of the Companies Act, 2013.
- (vi) As informed to us, the Central Government has not prescribed maintenance of cost records under sub-Section (1) of Section 148 of the Act.
- (vii) According to the information and explanations given to us and based on the records of the company examined by us,
  - (a) The company has been regular in depositing the undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service Tax, Custom Duty, Excise Duty, GST and other material statutory dues, as applicable, with the appropriate authorities in India ;
  - (b) According to the information and explanations given to us and based on the records of the company examined by us, there are no dues of Income Tax, Service Tax, Sales Tax, Customs Duty and Excise Duty, GST which have not been deposited on account of any disputes for more than 6 months.
  - (c) The Company has been regular in transfer of sums to the Investor Education and Protection Fund.

- (viii) In our opinion, and according to the information and explanations given to us and based on our examination of the records, the Company has not defaulted in repayment of loans or borrowings to a financial institution, bank, government or dues to debenture holders.
- (ix) In our opinion, and according to the information and explanations given to us, the Company does not raise money by way of initial public offer or further public offer and term loans.
- (x) During the course of audit, we have not noticed any fraud by the company or any fraud on the company by its officers or employees during the year.
- (xi) The Company is not a public limited company, hence, para 3 (xi) of the Order is not applicable.
- (xii) The nature of business is not related to Nidhi Company; hence, this clause is not applicable.
- (xiii) In our opinion, and according to the information and explanations given to us and based on our examination of the records of the Company, all transactions with related parties are in compliances with the section 177 & 188 of the Companies Act, 2013 and details have been disclosed in the Financial Statements as required by the applicable Accounting Standards.
- (xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) The company has not entered into any non-cash transactions with directors or persons connected with him.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

**For Kirtane & Pandit LLP**  
**Chartered Accountants**

Firm Registration No. 105215W/ W100057

**Sandeep D. Welling**

**Partner**

Membership No.: 044576

Place: Mumbai

Date: 16<sup>th</sup> April 2018

## **HDFC Pension Management Company Limited**

### **Annexure B to the Auditor's Report – March 31, 2018**

#### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of **HDFC Pension Management Company Limited** (“the Company”) as of March 31, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

## **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

## **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

## **For Kirtane & Pandit LLP**

### **Chartered Accountants**

Firm Registration No. 105215W/ W100057

**Sandeep D. Welling**

**Partner**

Membership No.: 044576

Place: Mumbai

Date: 16<sup>th</sup> April 2018

HDFC Pension Management Company Limited			
BALANCE SHEET AS AT MARCH 31, 2018			
			(₹ '000)
Particulars	Note	As at March 31, 2018	As at March 31, 2017
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	4	280,000	280,000
Reserves and surplus	5	(9,545)	(8,336)
		<u>270,455</u>	<u>271,664</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings		-	-
Other long-term liabilities		-	-
Long-term provisions		-	-
<b>CURRENT LIABILITIES</b>			
Short-term borrowings		-	-
Trade payables	6	6,239	4,714
Other current liabilities	7	330	230
Short-term provisions	8	1,748	1,528
<b>Total Equity &amp; Liabilities</b>		<u><b>278,772</b></u>	<u><b>278,136</b></u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
(i) Tangible assets	9	312	778
(ii) Intangible assets	10	-	211
(iii) Capital work-in-progress		-	-
Non-current investments	11	250,605	250,410
Deferred tax assets (net)		-	-
Long-term loans and advances	12	5,496	4,420
Other non-current assets	13	3,228	1,146
<b>CURRENT ASSETS</b>			
Current investments	14	10,207	15,336
Trade receivables	15	506	209
Cash and bank balances	16	2,841	119
Short-term loans and advances	17	84	81
Other current assets	18	5,493	5,426
<b>Total Assets</b>		<u><b>278,772</b></u>	<u><b>278,136</b></u>

See accompanying notes forming part of the financial statements

In terms of our report of even date attached.

For Kirtane and Pandit LLP  
Chartered Accountants  
Firm Registration No. 105215W/W100057

For and on behalf of the Board of Directors  
HDFC Pension Management Company Limited

Sandeep D. Welling  
(Partner)  
Membership No. 044576

Amitabh Chaudhry  
(Director)  
(DIN : 00531120 )

Vibha Padalkar  
(Director)  
(DIN :01682810 )

Sumit Shukla  
(Chief Executive Officer)

Fagun Pancholi  
(Chief Financial Officer)

Nagesh Pai  
(Company Secretary)

Place- Mumbai  
Date- April 16, 2018

HDFC Pension Management Company Limited			
STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2018			
(₹ '000)			
Particulars	Note	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>INCOME</b>			
Revenue from operations - Investment management fees	19	1,750	657
Other income	20	23,781	23,700
<b>Total revenue</b>		<b>25,531</b>	<b>24,357</b>
<b>EXPENSES</b>			
Employee benefit expenses	21	19,032	17,654
Establishment expenses	22	1,748	1,770
Other expenses	23	5,283	5,108
Depreciation and amortisation	24	677	2,884
<b>Total expenses</b>		<b>26,740</b>	<b>27,416</b>
<b>Loss before exceptional and extraordinary items and tax</b>		<b>(1,209)</b>	<b>(3,059)</b>
Exceptional items		-	-
<b>Loss before extraordinary items and tax</b>		<b>(1,209)</b>	<b>(3,059)</b>
Extraordinary items		-	-
<b>Loss before tax</b>		<b>(1,209)</b>	<b>(3,059)</b>
Tax expense		-	-
<b>Loss for the year from continuing operations</b>		<b>(1,209)</b>	<b>(3,059)</b>
Loss from discontinuing operations		-	-
Tax expense of discontinuing operations		-	-
Loss for the period from discontinuing operations (after tax)		-	-
<b>Loss for the period</b>		<b>(1,209)</b>	<b>(3,059)</b>
<b>Earnings per equity share</b> (face value ₹ 10 each)	25		
Basic (₹)		(0.043)	(0.109)
Diluted (₹)		(0.043)	(0.109)
See accompanying notes forming part of the financial statements			

In terms of our report of even date attached.

For Kirtane and Pandit LLP  
Chartered Accountants  
Firm Registration No. 105215W/W100057

For and on behalf of the Board of Directors  
HDFC Pension Management Company Limited

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Sumit Shukla  
(Chief Executive Officer)

Fagun Pancholi  
(Chief Financial Officer)

Place- Mumbai  
Date- April 16, 2018

Nagesh Pai  
(Company Secretary)

HDFC Pension Management Company Limited			
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2018			
			(₹ '000)
Particulars	Note	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		(1,209)	(3,059)
Adjustments for:			
Depreciation and amortisation		677	2,884
Interest income on investments		(22,662)	(22,686)
Profit on sale of investments		(920)	(819)
Unrealised gain / loss and amortisation of discount/(premium) on investments		(195)	(195)
Movement in working capital			
(Increase)/Decrease in trade receivable, loans and advances & other current assets		(1,335)	(983)
Increase/(Decrease) in trade payables, other current liabilities & short-term provisions		1,845	1,898
Income taxes received as refund / (paid) - net		(107)	(85)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>(23,906)</b>	<b>(23,045)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		-	(38)
Purchase of investments		(2,000)	-
Sale of investments		-	1,124
Income received on investment		23,499	23,572
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>21,499</b>	<b>24,658</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of share capital		-	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(2,407)	1,613
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		15,455	13,842
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>		<b>13,048</b>	<b>15,455</b>
See accompanying notes forming part of the financial statements			
<b>Components of cash and cash equivalents at end of the year:</b>			
Bank balances-current accounts (Refer note number 16)		2,841	119
Money market instruments (Refer note number 14) *		10,207	15,336
<b>Total cash and cash equivalents</b>		<b>13,048</b>	<b>15,455</b>
<b>Reconciliation of cash and cash equivalents with cash and bank balances as per Balance Sheet:</b>			
Cash and cash equivalents		13,048	15,455
Money market instruments (Refer note number 14) *		(10,207)	(15,336)
<b>Cash and bank balances as per Balance Sheet</b>		<b>2,841</b>	<b>119</b>

\* Money market instruments at cost

In terms of our report of even date attached.

For Kirtane and Pandit LLP  
Chartered Accountants  
Firm Registration No. 105215W/W100057

For and on behalf of the Board of Directors  
HDFC Pension Management Company Limited

Sandeep D. Welling  
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Sumit Shukla  
(Chief Executive Officer)

Fagun Pancholi  
(Chief Financial Officer)

Nagesh Pai  
(Company Secretary)

Place- Mumbai  
Date- April 16, 2018

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 1 Corporate information

HDFC Pension Management Company Limited ('the Company'/'HDFC Pension') is a wholly owned subsidiary of HDFC Standard Life Insurance Company Limited (or 'HDFC Life'). HDFC Standard Life Insurance Company Limited is formed as a joint venture between HDFC Ltd., India's leading housing finance institution and Standard Life Aberdeen plc (formally known as Standard Life plc), a global investment company. The Company is a public limited company domiciled in India and incorporated under the provisions of the erstwhile Companies Act, 1956. The Company was incorporated on June 20, 2011 with Registration Number U66020MH2011PLC218824 with the purpose of managing pension fund business under the National Pension System, to which HDFC Life acts as the Sponsor. The Company was granted licence to undertake pension management under the National Pension System by the Pension Fund Regulatory and Development Authority ('PFRDA') on April 23, 2013 and is in business from August 2013.

### 2 Background

HDFC Pension Management Company Limited is a wholly owned subsidiary of HDFC Standard Life Insurance Company Limited. In 2014, the Pension Fund Regulatory & Development Authority issued a Request for Proposal ("RFP") inviting bids from Sponsors to select new pension fund managers. The bid of HDFC Life to this RFP was rejected by the PFRDA on the ground that it did not meet certain eligibility criteria under the RFP. The Hon'ble Delhi High Court, however, set aside the rejection, directing the PFRDA to grant a Letter of Appointment to HDFC Life thereby allowing the Company to continue its business. While the PFRDA issued a letter of appointment to HDFC Life, it also challenged the Hon'ble High Court's decision before the Hon'ble Supreme Court of India by way of a Special Leave Petition ("SLP"). The Hon'ble Supreme Court, by its order dated July 31, 2017, has dismissed the PFRDA's SLP and refused to interfere with the Hon'ble High Court's decision. Accordingly, the Letter of Appointment issued to HDFC Life stands unqualified, with the appointment of HDFC Pension as a pension fund manager being confirmed.

### 3 Significant accounting policies

#### 3.1 Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention on accrual basis of accounting in accordance with generally accepted accounting principles in India ('Indian GAAP'). Pursuant to Section 133 of Companies Act, 2013, read with Rule 3 of Companies (Indian Accounting Standards) Rules, 2015, the accounting standards as specified in Annexure to the Companies (Accounting Standards) Rules, 2006 shall be the accounting standards applicable to companies other than the classes of companies specified in Rule 4. Consequently, these financial statements have been prepared to comply in all material aspects with the accounting standards specified under section 211 (3C) of the Companies Act, 1956 notified under Companies (Accounting Standards) Rules, 2006, as amended. Accounting policies have been consistently applied to the extent applicable and in the manner so required.

#### 3.2 Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles in India ('Indian GAAP') requires that the Company's management makes estimates and assumptions that affect the reported amounts of income and expenses for the year, reported balances of assets and liabilities and disclosures relating to contingent liabilities as on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances upto and as of the date of the financial statements. Actual results could differ from the estimates. Any revision to the accounting estimates is recognised prospectively.

#### 3.3 Revenue recognition

##### (a) Investment management fees

Investment management fees are recognised on an accrual basis in accordance with the terms of the "Investment Management Agreement" (IMA) entered into with the National Pension System (NPS) Trust. The investment management fees are presented net of Goods and services/Service Tax tax in the Statement of Profit and Loss.

##### (b) Other income

Interest income on debt investments is recognised on an accrual basis. Amortisation of premium or accretion of discount on debt investments is recognised over the period of maturity / holding of the investments on a straight line basis.

Amortisation of premium or accretion of discount on money market instruments is recognised over the period of maturity / holding on a straight line basis, subject to the change in value of investments due to market movements.

Dividend income is recognised on the "ex-dividend" date in case of listed equity shares and in case of unlisted equity shares when right to receive dividend is established.

Profit or loss on sale of debt investments, including money market instruments, is calculated as the difference between the net sale proceeds and the weighted average amortised cost.

Profit or loss on sale of equity shares/mutual fund units is calculated as the difference between the net sale proceeds and the weighted average cost.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 3.4 Investments

Investments that are, by nature, readily realisable and intended to be held for not more than one year from the date on which such investments are made are classified as current investments. All other investments are classified as long term investments and disclosed as non-current investments. Current investments are valued at lower of cost or fair value determined for each individual investment. Long term investments are valued at cost, subject to amortisation of premium or accretion of discount, over the period of maturity/holding, on a straight line basis. However, provision for diminution in value is made to recognise a decline, other than temporary, in the value of the investments.

### 3.5 Fixed assets and Depreciation / Amortisation

The fixed assets are stated at cost less accumulated depreciation/amortisation and impairment if any. Cost includes the purchase price and any cost directly attributable to bring the asset to its working condition for its intended use. Fixed assets individually costing less than ₹ 5,000, are fully depreciated in the month of purchase. Subsequent expenditure incurred on existing fixed assets is expensed out except where such expenditure increases the future economic benefits from the existing assets.

Any additions to the original fixed assets are depreciated over the remaining useful life of the original asset.

Depreciation/amortisation is charged on pro-rata basis from the month in which the asset is put to use and in case of assets sold, up to the previous month of sale.

Cost of assets as at the Balance Sheet date not ready for its intended use as at such date are disclosed as capital work in progress.

Advances given towards acquisition of fixed assets are disclosed under 'Long term loans and advances' in Balance Sheet.

#### Tangible fixed assets

Depreciation on tangible assets is provided on the straight-line method over the useful lives of assets estimated by the Management.

Useful lives of the tangible assets are as follows:

Asset class	Useful life of assets (in years)
Information technology equipment-End user devices ^	3
Information technology equipment- Non end user devices*^	4
Furniture & Fixtures*^	5
Office Equipment^	5
Motor Vehicles*^	4

\* For these class of assets, based on internal assessment and internal technical evaluation carried out by the management, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence, the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II of the Companies Act, 2013.

^ For these class of assets, based on internal assessment carried out by the management, the residual value is considered to be nil.

Leasehold improvements are amortised over the lock in period of the leased premises subject to a maximum of five years.

#### Intangible assets

Intangible assets comprising computer software are stated at cost of acquisition, including any cost attributable for bringing the same to its working condition for its intended use, less accumulated amortisation and impairment if any. These are amortised over the useful life of the software subject to maximum of four years.

Any expenditure for support & maintenance of the computer software is charged to the Statement of Profit and Loss.

### 3.6 Impairment of assets

The Company's management periodically assesses, using internal and external sources, whether there is any indication that an asset may be impaired. If any such indication of impairment exists, the recoverable amount of such asset is estimated. An impairment loss is recognised in the Statement of Profit and Loss where the carrying value of an asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's net selling price and value in use. Value in use which is the present value of future cash flows expected to arise from the continuing use of the asset and its ultimate disposal. When there is an indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 3.7 Employee benefits

a) **Short term employee benefits:** All employee benefits payable within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries and bonuses, short term compensated absences and contribution towards Employee Deposit Linked Insurance are recognised in the period in which the employee renders the related service. All short term employee benefits are accounted for on an undiscounted basis.

b) **Post employment benefits**

**Defined contribution plan:**

The Company's Provident Fund Scheme (Company contribution) and National Pension Scheme (Company contribution) is a defined contribution plan. The contributions paid/payable towards the fund are charged to the Statement of Profit and Loss during the year in which the employee renders the related service on an undiscounted basis.

**Defined benefit plan:**

The Company's Gratuity plan is an unfunded defined benefit plan. The gratuity benefit payable to the employees of the Company is as per the provisions of 'The Payment of Gratuity Act, 1972. The present value of the obligation under such defined benefit plan is determined based on the actuarial valuation at the Balance Sheet date using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Provision for gratuity is accounted for taking into consideration the actuarial valuation of plan obligation as at the Balance Sheet date, in accordance with Accounting Standard (AS) 15 (Revised), 'Employee Benefits'.

Actuarial gains / losses, if any, due to experience adjustments and the effects of changes in actuarial assumptions are recognised in the Statement of Profit and Loss, in the year in which they arise.

c) **Other long term employee benefits**

The obligation for long term employee benefits such as accumulated long term compensated absences, are accounted for based on actuarial valuation determined using the projected unit credit method.

Actuarial gains / losses, if any, due to experience adjustments and the effects of changes in actuarial assumptions are recognised in the Statement of Profit and Loss, in the year in which they arise.

### 3.8 Leases

**Finance leases**

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalised at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

**Operating leases**

Leases, where lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating leases. Rental payments under operating leases including committed increase in rentals are recognised as an expense, on a straight line basis, over the non cancellable lease period.

### 3.9 Taxation

a) **Direct tax**

**i) Provision for current tax**

Provision for income tax is made in accordance with the provisions of the Income Tax Act, 1961 as applicable to the company carrying on pension business. Where Company has provided for tax liability based on Minimum alternate tax (MAT) provisions, MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period.

**ii) Deferred tax**

In accordance with the requirements of Accounting Standard (AS) - 22, "Accounting for Taxes on Income", deferred tax asset is recognised only to the extent that there is reasonable certainty that sufficient taxable income will be available against which such deferred tax asset can be realised. With respect to carry forward of losses/unabsorbed depreciation under the Income Tax Act, 1961, deferred tax asset is recognised only to the extent that there is a virtual certainty supported by convincing evidence that future taxable income will be available against which the deferred tax asset can be realised.

b) **Indirect tax**

With effect from July 1, 2017, the Company claims credit of Goods and Services Tax ('GST') on input services, which is set off against GST on output services. As a matter of prudence, unutilised credits towards GST on input services are carried forward under the head Long-term loans and advances in the Balance Sheet, wherever there is reasonable certainty of utilisation.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

For the period April 1, 2017 to June 30, 2017, the Company has claimed credit of service tax on input services, which has been set off against service tax on output services. As a matter of prudence, unutilised credits towards service tax on input services are carried forward under the head Long-term loans and advances in the Balance Sheet, wherever there is reasonable certainty of utilisation. Unutilised credits towards service tax on input services as at June 30, 2017, are eligible to be carried forward as per the transition provisions under the Central Goods and Services Tax Act, 2017.

### 3.10 Provisions, contingent liabilities and contingent assets

Provisions are recognised in respect of present obligations that arise as a result of past events where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are determined on the basis of best estimate of the outflow of economic benefits required to settle the obligation at the Balance Sheet date. Where no reliable estimate can be made, a disclosure is made as contingent liability.

Contingent liabilities are disclosed in respect of ;

- a) possible obligations that arise from past events, the existence or otherwise of which will be confirmed by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Company or
- b) present obligation that arises from past events, but is not recognised because there is remote probability that an outflow of resources embodying economic benefits will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are neither accounted nor disclosed.

### 3.11 Earnings per equity share

In accordance with the requirement of Accounting Standard (AS) 20, "Earnings Per Share", basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Potential equity shares are treated as dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations.

### 3.12 Cash flow statement

Cash flows are reported using the indirect method as explained in Accounting Standard (AS) - 3, "Cash Flow Statements", whereby profit before tax is adjusted for the effects of transactions of non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are separately presented.

### 3.13 Cash and cash equivalents (for cash flow statement purposes)

Cash comprises cash, cheques in hand and bank balances. Cash equivalents comprise money market instruments including highly liquid mutual funds and highly liquid investments that are readily convertible into measurable amounts of cash and which are subject to insignificant risk of change in value.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

4 Share capital

The Company is a wholly owned subsidiary of HDFC Standard Life Insurance Company Limited.

Details of outstanding share capital are as given below:

(₹ '000)

Particulars	As at	As at
	March 31, 2018	March 31, 2017
<b>Authorised capital</b>		
30,000,000 Equity shares of ₹ 10 each (Previous year: 30,000,000 Equity shares of ₹ 10 Each)	300,000	300,000
	<b>300,000</b>	<b>300,000</b>
<b>Issued, subscribed and fully paid-up capital</b>		
28,000,000 Equity shares of ₹ 10 each (Previous year: 28,000,000 Equity shares of ₹ 10 Each)	280,000	280,000
	<b>280,000</b>	<b>280,000</b>

The Company has only one class of shares referred to as equity shares 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 dividend, if any, proposed by the Board of Directors and approved by shareholders in the Annual General Meeting.

Reconciliation of number of shares outstanding at the beginning and at the end of the year, is as given below:

Particulars	As at March 31, 2018		As at March 31, 2017	
	Number of shares held	(₹ '000)	Number of shares held	(₹ '000)
Equity shares outstanding as at the beginning of the year	28,000,000	280,000	28,000,000	280,000
Equity shares issued during the year	-	-	-	-
<b>Equity shares outstanding as at the end of year</b>	<b>28,000,000</b>	<b>280,000</b>	<b>28,000,000</b>	<b>280,000</b>

Details of each shareholder, holding more than 5 percent shares in the Company are as given below:

Particulars	As at March 31, 2018		As at March 31, 2017	
	Number of Shares held	Percentage of holding	Number of Shares held	Percentage of holding
HDFC Standard Life Insurance Company Ltd. along with it's nominees	28,000,000	100%	28,000,000	100%

5 Reserves and surplus

(₹ '000)

Particulars	As at	As at
	March 31, 2018	March 31, 2017
<b>Profit &amp; Loss account</b>		
Opening balance	(8,336)	(5,277)
Add:- Net Loss during the year as per the Statement of Profit and Loss	(1,209)	(3,059)
<b>Closing balance</b>	<b>(9,545)</b>	<b>(8,336)</b>

6 Trade payables

(₹ '000)

Particulars	As at	As at
	March 31, 2018	March 31, 2017
Payable for expenses	6,239	4,714
<b>Total</b>	<b>6,239</b>	<b>4,714</b>

7 Other current liabilities

(₹ '000)

Particulars	As at	As at
	March 31, 2018	March 31, 2017
Payable for statutory dues	330	230
<b>Total</b>	<b>330</b>	<b>230</b>

8 Short-term provisions

(₹ '000)

Particulars	As at	As at
	March 31, 2018	March 31, 2017
Provision for employee benefits	1,748	1,528
<b>Total</b>	<b>1,748</b>	<b>1,528</b>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

9 Tangible assets

(₹ '000)

Particulars	Cost / Gross Block			Depreciation				Net Block		
	As at April 01, 2017	Additions	Deductions	As at March 31, 2018	As at April 01, 2017	For the year ended March 31, 2018	On Sales / Adjustments	As at March 31, 2018	As at March 31, 2018	As at March 31, 2017
Land	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-
Computer hardware - Non end user devices	2,500	-	-	2,500	2,338	162	-	2,500	-	162
Computer hardware - End user devices	181	-	-	181	159	9	-	168	13	22
Furniture and fixtures	111	-	-	111	89	22	-	111	-	22
Office equipment	144	-	-	144	115	29	-	144	-	29
Vehicles	957	-	-	957	419	239	-	658	299	538
Leasehold improvements	26	-	-	26	21	5	-	26	-	5
<b>Total</b>	<b>3,919</b>	-	-	<b>3,919</b>	<b>3,141</b>	<b>466</b>	-	<b>3,607</b>	<b>312</b>	<b>778</b>
Capital work in progress	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>3,919</b>	-	-	<b>3,919</b>	<b>3,141</b>	<b>466</b>	-	<b>3,607</b>	<b>312</b>	<b>778</b>
Previous year	3,881	38	-	3,919	2,182	958	-	3,141	778	

10 Intangible assets

(₹ '000)

Particulars	Cost / Gross Block			Depreciation				Net Block		
	As at April 01, 2017	Additions	Deductions	As at March 31, 2018	As at April 01, 2017	For the year ended March 31, 2018	On Sales / Adjustments	As at March 31, 2018	As at March 31, 2018	As at March 31, 2017
Intangibles (Computer software)	7,720	-	-	7,720	7,509	211	-	7,720	-	211
Previous year	7,720	-	-	7,720	5,583	1,926	-	7,509	211	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

11 Non-current investments

(₹ '000)

Particulars	As at March 31, 2018	As at March 31, 2017
Investments in Government Securities		
- 8.32% GOI, August 2, 2032 --- 500,000 units of face value ₹ 100 each (Previous year 500,000 units of face value of Rs 100 each)	47,930	47,786
- 9.20% GOI, September 30, 2030 --- 500,000 units of face value ₹ 100 each (Previous year 500,000 units of face value of Rs 100 each)	50,862	50,931
- 9.23% GOI, December 23, 2043 --- 500,000 units of face value ₹ 100 each (Previous year 500,000 units of face value of Rs 100 each)	52,984	53,100
Investments in Non convertible debentures (NCD) - Infrastructure Bonds	48,829	48,593
- 8.90% Power Finance Corporation Limited, March 18, 2023 - 50 units of face value ₹ 1,000,000 each (Previous year 50 units of face value of Rs 1,000,000 each)		
Investments in Non convertible debentures (NCD) - Private Corporate Bonds	50,000	50,000
- 9.51% LIC Housing Finance Company Limited, July 24, 2019 - 50 units of face value ₹ 1,000,000 each (Previous year 50 units of face value of Rs 1,000,000 each)		
<b>Total</b>	<b>250,605</b>	<b>250,410</b>

Aggregate value of quoted investments	250,605	250,410
Market value of quoted investments	269,945	277,265

12 Long-term loans and advances

(₹ '000)

Particulars	As at March 31, 2018	As at March 31, 2017
Loans	-	-
<b>Others</b>		
Unutilised goods and services tax/service tax input credit	5,309	4,340
Advance tax paid -Tax deducted at source (net of provision for tax)	187	80
Capital advances	-	-
<b>Total</b>	<b>5,496</b>	<b>4,420</b>

13 Other non-current assets

(₹ '000)

Particulars	As at March 31, 2018	As at March 31, 2017
Bank Deposits with maturity of more than 12 months (Refer note no.31)	3,000	1,000
Interest accrued on Fixed deposit	228	146
<b>Total</b>	<b>3,228</b>	<b>1,146</b>

14 Current investments

(₹ '000)

Particulars	As at March 31, 2018	As at March 31, 2017
Investment in Mutual Funds - valued at lower of cost or market value		
(a) Quoted	-	-
(b) Unquoted - ICICI Prudential Liquid - Direct Plan-Growth 40976.20 units of ₹ 249.0913 each each (Previous Year 65476.47 units of ₹ 234.2182 each)	10,207	15,336
<b>Total</b>	<b>10,207</b>	<b>15,336</b>

Aggregate value of unquoted investments	10,207	15,336
Market value of unquoted investments*	10,534	15,757

\* Market value is the net asset value as declared by ICICI Prudential Mutual Fund

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

15 Trade receivables		(₹ '000)	
Particulars	As at March 31, 2018	As at March 31, 2017	
(a) Outstanding for a period exceeding six months from the date they are due for payment - Unsecured, considered good	-	-	
(b) Others - Unsecured, considered good	506	209	
<b>Total</b>	<b>506</b>	<b>209</b>	

16 Cash and bank balances		(₹ '000)	
Particulars	As at March 31, 2018	As at March 31, 2017	
<b>Cash on hand</b>	-	-	
<b>Balances with banks:</b>			
-In current accounts	2,841	119	
<b>Other bank balances</b>			
-Deposits with maturity of less than 12 months	-	-	
-Deposits with maturity of more than 12 months	3,000	1,000	
<b>Sub-Total</b>	<b>5,841</b>	<b>1,119</b>	
Amount disclosed under other non-current assets (Refer note no.13)	(3,000)	(1,000)	
<b>Total</b>	<b>2,841</b>	<b>119</b>	

17 Short-term loans and advances		(₹ '000)	
Particulars	As at March 31, 2018	As at March 31, 2017	
Loans	-	-	
<b>Others</b>			
Prepaid expenses	84	81	
Others	-	-	
<b>Total</b>	<b>84</b>	<b>81</b>	

18 Other current assets		(₹ '000)	
Particulars	As at March 31, 2018	As at March 31, 2017	
Interest accrued on investments	5,392	5,391	
Receivable from pension schemes (Goods and Services Tax/Service Tax)	101	35	
<b>Total</b>	<b>5,493</b>	<b>5,426</b>	

19 **Investment management fees**  
Investment management fees @ 0.01% (Previous Year @0.01%) per annum is charged on daily closing assets under management across respective schemes under pension funds amounting to ₹ 1750 thousands (Previous Year ₹ 657 thousands).

20 Other income		(₹ '000)	
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017	
<b>Investment income on current investments</b>			
Interest income	13	14	
Profit on sale of investments	920	819	
<b>Investment income on long-term investments</b>			
Interest income	22,649	22,672	
Amortisation of discount/(premium) on investments	195	195	
<b>Interest on income tax refund</b>	<b>4</b>	<b>-</b>	
<b>Total</b>	<b>23,781</b>	<b>23,700</b>	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

21 Employee benefit expenses		(₹ '000)	
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017	
Salaries and bonuses	18,152	16,835	
Contributions to Provident fund and National Pension Scheme	880	819	
<b>Total</b>	<b>19,032</b>	<b>17,654</b>	

22 Establishment expenses		(₹ '000)	
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017	
PFRDA licence fees	1,000	1,000	
Rent	724	724	
Other expenses	24	46	
<b>Total</b>	<b>1,748</b>	<b>1,770</b>	

23 Other expenses		(₹ '000)	
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017	
Brokerage expenses	1,995	1,265	
Legal & professional charges	1,245	1,165	
Marketing expenses	860	1,273	
Travel expenses	366	551	
Information technology support expenses	312	296	
Directors sitting fees	230	260	
Payment to auditors :			
- as auditor	100	100	
- others	-	-	
General office expenses	64	47	
Miscellaneous expenses	111	151	
<b>Total</b>	<b>5,283</b>	<b>5,108</b>	

24 Depreciation and amortisation		(₹ '000)	
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017	
Depreciation on tangible assets	466	958	
Amortisation of intangible assets	211	1,926	
<b>Total</b>	<b>677</b>	<b>2,884</b>	

25 Earnings per share			
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017	
Loss as per Statement of Profit & Loss (₹'000)	(1,209)	(3,059)	
Weighted average number of equity shares for Basic earnings per share	28,000,000	28,000,000	
Basic earnings per share ( ₹ )	(0.043)	(0.109)	
Weighted average number of equity shares for Diluted earnings per share	28,000,000	28,000,000	
Diluted earnings per share ( ₹ )	(0.043)	(0.109)	
Nominal value of share ( ₹ )	10.00	10.00	

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 26 Tax provision

#### a) Direct tax

##### i) Provision for current tax

The Company has made a provision for Minimum Alternate Tax (MAT) u/s 115JB of the Income Tax Act, 1961 of ₹ NIL (Previous Year ₹ NIL thousands) in the Statement of Profit and loss for the year ended March 31, 2018 in accordance with the rules and regulations there under, as applicable to the Company.

##### ii) Deferred tax

With reference to the carry forward of losses /unabsorbed depreciation, in view of lack of virtual certainty supported by convincing evidence in the business, that future taxable income will be available against which the deferred tax asset can be realised, the Company has concluded that it would not be prudent to recognise deferred tax asset during the year.

### 27 Leases

In accordance with the Accounting Standard (AS) - 19, "Leases", the following disclosures are made in respect of operating leases:

The Company has taken motor vehicles on operating lease for a term of upto 5 years. In respect of the operating leases, the lease rentals debited to the Statement of Profit and Loss are ₹ NIL thousands (Previous Year ₹ NIL thousands).

The lease terms do not contain any exceptional/restrictive covenants which will have significant detrimental impact on the Company's financials nor are there any options given to the Company to purchase the motor vehicles.

### 28 Related party & other group company disclosures

During the year ended March 31, 2018, the Company had transactions with related parties, which have been identified by the management as per the requirements of the Accounting Standard (AS) 18, "Related Party Disclosures". Details of these related parties, nature of the relationship, transactions entered into with them and the balances in related party accounts at year end, are as mentioned below:

#### A) Related party disclosures as per Accounting Standard 18

##### Related parties and nature of relationship

Nature of the relationship	Name of Related Party
Ultimate holding company	Housing Development Finance Corporation Limited (HDFC Ltd.)
Holding company	HDFC Standard Life Insurance Company Limited
Fellow subsidiaries of holding company	HDFC International Life and Re Company Limited
	HDFC Asset Management Company Limited
	HDFC Developers Limited (upto 24th January 2018)
	HDFC Holdings Limited
	HDFC Trustee Company Limited
	HDFC Realty Limited (upto 24th January 2018)
	HDFC Investments Limited
	HDFC ERGO General Insurance Company Limited
	HDFC Capital Advisors Limited
	HDFC Sales Private Limited
	HDFC Venture Capital Limited
	HDFC Ventures Trustee Company Limited
	HDFC Property Ventures Limited
	HDFC Credila Financial Services Private Limited
	HDFC Education and Development Services Private Limited
	Griha Investments (Subsidiary of HDFC Holdings Ltd.)
	GRUH Finance Limited
	Griha Pte Ltd., Singapore (Subsidiary of HDFC Investments Ltd.)
	Grandeur Properties Pvt. Ltd.
	Haddock Properties Pvt. Ltd.
	Pentagram Properties Pvt. Ltd.
	Winchester Properties Pvt. Ltd.
	Windermere Properties Pvt. Ltd.
Entities over which control is exercised	HDFC Investment Trust
	HDFC Investment Trust II
Key management personnel	Mr. Sumit Shukla

The following are the transactions between the Company and its related parties:

Particulars	Description	Total value of transactions for the year ended March 31, 2018	(₹ '000)		
			Receivable/ (payable) at March 31, 2018	Total value of transactions for the year ended March 31, 2017	Receivable/ (payable) at March 31, 2017
HDFC Standard Life Insurance Company Ltd.	Cost of resource utilisation	4,954	-	4,357	-
HDFC ERGO General Insurance Company Ltd.	Car Insurance Premium	13	-	15	-
Mr. Sumit Shukla	Managerial remuneration	11,175	-	10,168	-

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**29 Employee benefit obligations:**

**a) Defined contribution plans**

During the half year, the Company has recognised the below amounts in the Profit & Loss Account under defined contribution plans:

Particulars	(₹ '000)	
	For the year ended March 31, 2018	For the year ended March 31, 2017
Contribution to Employees Provident Fund	496	448
Contribution to National Pension Scheme	384	371
<b>Total</b>	<b>880</b>	<b>819</b>

**b) Defined benefit plans**

**i) Gratuity:**

**a) General description of defined plan**

Gratuity: This is an unfunded defined benefit plan. The plan provides for lumpsum payment to vested employees either at retirement, or on death while in employment or on termination of employment. The benefit vests after five years of continuous service.

**b) The following tables set out the status of the Gratuity plan as at March 31, 2018:**

Particulars	(₹ '000)	
	As at March 31, 2018	As at March 31, 2017
Present value of defined benefit obligations at the end of the year	952	777
Fair value of plan assets at the end of the year	-	-
Liability recognised in Balance Sheet	952	777

The Company has recognised following amounts in the Statement of Profit and Loss for the year:

Particulars	(₹ '000)	
	For the year ended March 31, 2018	For the year ended March 31, 2017
Current service cost	195	173
Interest cost	58	38
Expected return on plan assets	-	-
Actuarial (gains)/losses	(78)	81
Total of above included in "Employee benefit expenses" in the Statement of Profit and Loss	<b>175</b>	<b>292</b>

Reconciliation of opening and closing balances of present value of the defined benefit obligations:

Particulars	(₹ '000)	
	For the year ended March 31, 2018	For the year ended March 31, 2017
Present value of defined benefit obligations at the beginning of the year	777	485
Current service cost	195	173
Interest cost	58	38
Actuarial (gains)/losses	(78)	81
Benefits paid	-	-
Present value of defined benefit obligations at the end of the year	<b>952</b>	<b>777</b>

The amounts of the present value of the defined benefit obligation and experience adjustments arising on plan liabilities for the current year and comparative previous years are as given below:

Gratuity (Unfunded Plan)	(₹ '000)				
	FY 2017-18	FY 2016-17	FY 2015-16	FY 2014-15	FY 2013-14
Present value of the defined benefit obligation at the end of the year	952	777	485	295	90
Fair value of the plan assets at the end of the year	NA	NA	NA	NA	NA
Unfunded liability transferred from Group Company	NA	NA	NA	NA	NA
(Surplus) / Deficit in the plan	NA	NA	NA	NA	NA
Experience adjustments on plan commitments - (Gain) / Loss	-53	39	33	77	-
Experience adjustments on plan assets - Gain / (Loss)	NA	NA	NA	NA	NA

**ii) Principal assumptions for actuarial valuation of defined benefit obligation of gratuity plan as at the Balance**

Particulars	For the year ended	
	March 31, 2018	March 31, 2017
Discount rate	7.70%	7.40%
Salary growth	8.00% for the first year and 7.50% for future years	8.00% for the first year and 7.50% for future years
Attrition rate	3.50%	3.50%
Mortality table	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)

The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**c) Other long term employee benefits**

Long term compensated absences: This is an unfunded employee benefit. The liability for accumulated long term absences is determined by actuarial valuation using projected unit credit method. The assumptions used for valuation are as given below:

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Discount rate	7.70%	7.40%
Salary growth	8.00% for the first year and 7.50% for future years	8.00% for the first year and 7.50% for future years
Attrition rate	3.50%	3.50%
Mortality table	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)

**30 Segment Reporting**

The segment reporting disclosure as required by Accounting Standard (AS) - 17, "Segment Reporting", is not applicable, since the Company has a single reportable business segment of providing pension fund management services as per the PFRDA ( Pension Fund) Regulations 2015.

**31 Encumbrances on assets:** The assets of the Company are free from all encumbrance as at March 31, 2018, except for fixed deposits of ₹ 3,000 thousands (Previous year ₹ 1,000 thousands) with HDFC Bank Limited, as a security towards guarantee issued by the bank on behalf of the Company in favour of the PFRDA (Refer Note 32 on Contingent liabilities below).

**32 Contingent liabilities**

Particulars	(₹ '000)	
	As at March 31, 2018	As at March 31, 2017
Bank guarantee given on behalf of Company: Issued in favour of the PFRDA	3,000	1,000

**33** There are no dues payable to vendors covered by the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2018 (Previous year ₹ Nil).

**34 Previous year comparatives**

Previous year amounts have been regrouped and reclassified wherever necessary to conform to current year's presentation.