HDFC MUTUAL FUND
BHAROSA APNO KA

Ref/No/HDFCAMC/SE/2023-24/30 Date- June 4, 2023

| | |
|---|---|
| National Stock Exchange of India Limited<br>Exchange Plaza, Plot C/1, Block G,<br>Bandra Kurla Complex, Bandra (East),<br>Mumbai – 400051.<br>**Kind Attn: Head – Listing Department** | BSE Limited<br>Sir PJ Towers,<br>Dalal Street,<br>Mumbai – 400001.<br>**Kind Attn: Sr. General Manager – DCS Listing Department** |

Dear Sir/Madam,

**Sub: <u>Notice of the 24th Annual General Meeting (AGM) and Annual Report 2022-23</u>**

Pursuant to Regulations 30 and 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Notice of the 24th AGM and the Annual Report for the financial year 2022-23 for your information and records. In compliance with relevant circulars issued by Ministry of Corporate Affairs and the Securities and Exchange Board of India, the Notice of the AGM along with the Annual Report are sent only by email to those Members whose email addresses are registered with the Company / Depository Participant(s). Additionally, the Notice of the AGM and the Annual Report are also being uploaded on the website of the Company at www.hdfcfund.com.

Further, in terms of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management & Administration) Rules, 2014 (as amended), the Company has fixed June 19, 2023 as the cut-off date to determine the eligibility of the members to cast their vote through remote e-Voting or through e-Voting during the AGM scheduled to be held on Monday, June 26, 2023 at 3.00 p.m. (IST) through Video Conferencing / Other Audio Visual Means.

This is for your information and records.

Thanking you,

Yours faithfully,
For **HDFC Asset Management Company Limited**

Sylvia Furtado

Digitally signed by Sylvia Furtado
DN: c=IN, o=Personal, title=0132, pseudonym=c9f9e85fb09a43f689f388d9b8d526e0, 2.5.4.20=2ba7a70e85420d41db39726ef5a05bf9d5b2e3462d9508f4dba3611a8512d899, postalCode=560087, st=Karnataka, serialNumber=c657741e7c20647b09c19a36b505d108588ea658a47cf934129cd9fc4d51aa71, cn=Sylvia Furtado
Date: 2023.06.04 00:18:14 +05'30'

**Sylvia Furtado**
**Company Secretary**

Encl: a/a

# Notice

**HDFC Asset Management Company Limited**
CIN: L65991MH1999PLC123027
Regd. Office: "HDFC House", 2nd Floor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai – 400020.
Website: www.hdfcfund.com; Email: shareholders.relations@hdfcfund.com; Tel: +91(22)6631 6333; Fax: +91(22)6658 0203.

**Notice** is hereby given that the Twenty-Fourth Annual General Meeting of the Members of HDFC Asset Management Company Limited ("the Company") will be held on Monday, June 26, 2023 at 3.00 p.m. (IST) through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM"), to transact the following businesses:

## ORDINARY BUSINESS:

1. **To receive, consider and adopt:**

   a. the audited financial statements of the Company for the financial year ended March 31, 2023 together with the Reports of Board of Directors and Auditors thereon; and

   b. the audited consolidated financial statements of the Company for the financial year ended March 31, 2023 together with the Report of the Auditors thereon.

2. **To declare a dividend of ₹ 48/- per equity share for the financial year ended March 31, 2023.**

## SPECIAL BUSINESS:

3. **To not fill up the vacancy caused by retirement of Mr. Keki Mistry who retires by rotation at the conclusion of 24th Annual General Meeting**

   To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

   "**RESOLVED THAT** pursuant to Section 152 of the Companies Act, 2013, Mr. Keki Mistry (DIN: 00008886), Non-Executive Director, retires by rotation at the conclusion of this 24th Annual General Meeting and the vacancy caused as such not be filled up."

4. **Approval for the re-appointment of Mr. Dhruv Kaji as an Independent Director of the Company**

   To consider and if thought fit, to pass the following resolution as a Special Resolution:

   "**RESOLVED THAT** pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") read with Schedule IV to the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 and Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), including any statutory modification(s) or re-enactment(s) thereof for the time being in force, other applicable laws, if any and the Articles of Association of the Company, and based on the recommendation of the Nomination & Remuneration Committee and the Board of Directors, Mr. Dhruv Kaji (DIN: 00192559) whose term of office as an independent director expires on October 30, 2023 and who has given his consent for re-appointment as an Independent Director of the Company and who has submitted a declaration that he meets the criteria of independence as provided in Section 149(6) of the Act and Listing Regulations and who is eligible for re-appointment, be and is hereby re-appointed as an Independent Director of the Company for a second term of 5 consecutive years commencing from October 31, 2023 up to October 30, 2028, and who shall continue to hold office after attaining the age of seventy-five years during the aforesaid term, and he shall not be liable to retire by rotation.

   **RESOLVED FURTHER THAT** any Director or the Company Secretary of the Company be and is hereby authorised severally to do all such acts, deeds, matters and things as may be considered necessary or desirable to give effect to this resolution and matters incidental thereto."

5. **Approval for the re-appointment of Mr. Jairaj Purandare as an Independent Director of the Company**

   To consider and if thought fit, to pass the following resolution as a Special Resolution:

   "**RESOLVED THAT** pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") read with Schedule

IV to the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), including any statutory modification(s) or re-enactment(s) thereof for the time being in force, other applicable laws, if any and the Articles of Association of the Company, and based on the recommendation of the Nomination & Remuneration Committee and the Board of Directors, Mr. Jairaj Purandare (DIN: 00159886) whose term of office as an independent director expires on October 30, 2023 and who has given his consent for re-appointment as an Independent Director of the Company and who has submitted a declaration that he meets the criteria of independence as provided in Section 149(6) of the Act and Listing Regulations and who is eligible for re-appointment, be and is hereby re-appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a second term of 5 consecutive years commencing from October 31, 2023 up to October 30, 2028.

**RESOLVED FURTHER THAT** any Director or the Company Secretary of the Company be and is hereby authorised severally to do all such acts, deeds, matters and things as may be considered necessary or desirable to give effect to this resolution and matters incidental thereto."

6. **Approval for the re-appointment of Mr. Sanjay Bhandarkar as an Independent Director of the Company**

To consider and if thought fit, to pass the following resolution as a Special Resolution:

"**RESOLVED THAT** pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") read with Schedule IV to the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), including any statutory modification(s) or re-enactment(s) thereof for the time being in force, other applicable laws, if any and the Articles of Association of the Company, and based on the recommendation of the Nomination & Remuneration Committee and the Board of Directors, Mr. Sanjay Bhandarkar (DIN: 01260274) whose term of office as an independent director expires on October 30, 2023 and who has given his consent for re-appointment as an Independent Director of the Company and who has submitted a declaration that he meets the criteria of independence as provided in Section 149(6) of the Act and Listing Regulations and who is eligible for re-appointment, be and is hereby re-appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a second term of 5 consecutive years commencing from October 31, 2023 up to October 30, 2028.

**RESOLVED FURTHER THAT** any Director or the Company Secretary of the Company be and is hereby authorised severally to do all such acts, deeds, matters and things as may be considered necessary or desirable to give effect to this resolution and matters incidental thereto."

7. **Approval for the re-appointment of Mr. Parag Shah as an Independent Director of the Company**

To consider and if thought fit, to pass the following resolution as a Special Resolution:

"**RESOLVED THAT** pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") read with Schedule IV to the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), including any statutory modification(s) or re-enactment(s) thereof for the time being in force, other applicable laws, if any and the Articles of Association of the Company, and based on the recommendation of the Nomination & Remuneration Committee and the Board of Directors, Mr. Parag Shah (DIN: 00374944) whose term of office as an independent director expires on January 21, 2024 and who has given his consent for re-appointment as an Independent Director of the Company and who has submitted a declaration that he meets the criteria of independence as provided in Section 149(6) of the Act and Listing Regulations and who is eligible for re-appointment, be and is hereby re-appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a second term of 5 consecutive years commencing from January 22, 2024 up to January 21, 2029.

**RESOLVED FURTHER THAT** any Director or the Company Secretary of the Company be and is hereby authorised severally to do all such acts, deeds, matters and things as may be considered necessary or desirable to give effect to this resolution and matters incidental thereto."

8. **Approval for the re-appointment of Ms. Roshni Nadar Malhotra as an Independent Director of the Company**

   To consider and if thought fit, to pass the following resolution as a Special Resolution:

   **"RESOLVED THAT** pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") read with Schedule IV to the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 ("Listing Regulations"), including any statutory modification(s) or re-enactment(s) thereof for the time being in force, other applicable laws, if any and the Articles of Association of the Company, and based on the recommendation of the Nomination & Remuneration Committee and the Board of Directors, Ms. Roshni Nadar Malhotra (DIN: 02346621) whose term of office as an independent director expires on April 26, 2024 and who has given her consent for re-appointment as an Independent Director of the Company and who has submitted a declaration that she meets the criteria of independence as provided in Section 149(6) of the Act and Listing Regulations and who is eligible for re-appointment, be and is hereby re-appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a second term of 5 consecutive years commencing from April 27, 2024 up to April 26, 2029.

   **RESOLVED FURTHER THAT** any Director or the Company Secretary of the Company be and is hereby authorised severally to do all such acts, deeds, matters and things as may be considered necessary or desirable to give effect to this resolution and matters incidental thereto."

BY ORDER OF THE BOARD
For **HDFC Asset Management Company Limited**

**Sylvia Furtado**
Company Secretary
Membership No. A17976

Mumbai, May 30, 2023

## NOTES:

1. The Ministry of Corporate Affairs, ("MCA") has permitted conducting of Annual General Meeting ("AGM") through VC or OAVM. In this regard, MCA issued Circular No. 14/2020 dated April 8, 2020, Circular No. 17/2020 dated April 13, 2020, Circular No. 20/2020 dated May 5, 2020, Circular No. 21/2021 dated December 14, 2021, Circular No. 2/2022 dated May 5, 2022 and Circular No. 10/2022 dated December 28, 2022 (collectively referred to as "MCA Circulars"), prescribing the procedure and manner of conducting the AGM through VC / OAVM. The Securities and Exchange Board of India ("SEBI") also vide its Circular No. SEBI/HO/CFD/PoD-2/P/CIR/2023/4 dated January 5, 2023, has provided certain relaxations from compliance with certain provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"). In compliance with the applicable provisions of the Companies Act, 2013 ("the Act"), MCA and SEBI Circulars / Listing Regulations the Board of Directors has approved conducting of the 24th Annual General Meeting (AGM) of the Company through VC / OAVM.

2. Pursuant to the provisions of the Act, a member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC/OAVM, physical attendance of members has been dispensed with and the facility for appointment of proxy by the members is not available for this AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.

3. An Explanatory Statement pursuant to Section 102 of the Act read with the Listing Regulations and Secretarial Standards No. 2 on the General Meetings issued by the Institute of Company Secretaries of India ("SS-2"), setting out material facts relating to business(es) under item numbers 3 to 8 to be transacted at the Meeting, is annexed hereto and forms part of this Notice.

4. Information regarding particulars of the Director(s) seeking re-appointment as required under Regulation 36(3) of the Listing Regulations and the provisions of SS-2, at the ensuing Meeting forms part of this Notice.

5. In terms of provisions of Section 107 of the Act since the resolutions as set out in the notice are being conducted through e-voting, the said resolutions will not be decided by show of hands at the AGM.

6. Members attending the AGM through VC/OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.

7. A dividend of ₹ 48/- (Rupees Forty Eight only) per equity share has been recommended by the Board of Directors for the financial year ended March 31, 2023, subject to the approval of the members at this Meeting shall be dispatched/remitted commencing from the day after the AGM i.e. June 27, 2023. The record date for determining the entitlement of the members to the dividend is June 9, 2023.

8. Regulation 40 of Listing Regulations, as amended, mandates that transfer, transmission and transposition of securities of listed companies held in physical form shall be effected only in demat mode. Further, SEBI, vide its circular dated 25th January, 2022, has clarified that listed companies, with immediate effect, shall issue the securities only in demat mode while processing investor service requests pertaining to issuance of duplicate securities certificate, endorsement, exchange /sub-division / splitting / consolidation of securities certificates etc. In view of this, Members holding shares in physical form are requested to submit duly filled Form ISR-4 for the above mentioned service requests. Further, to eliminate all risks associated with physical shares and for ease of portfolio management, Members holding equity shares in physical form are requested to consider converting their holdings to demat mode.

9. SEBI had vide circular dated March 16, 2023 introduced Common and Simplified Norms for furnishing PAN, KYC details and Nomination by the Shareholders, in supersession of circulars dated November 3, 2021 and December 14, 2021 according to which, all shareholders holding shares in physical form are mandatorily required to furnish PAN (compulsorily linked with Aadhaar), contact details, bank account details and specimen signature to RTA in writing in Form ISR-1 along with the supporting documents to to M/s. KFin Technologies Limited (Formerly KFin Technologies Private Limited), Registrar and Share Transfer Agent ("KFintech" / "RTA") or by email to einward.ris@kfintech.com from their registered email id.

   Further, it is mandated that the RTA shall not process any service request or complaint of shareholders till PAN, KYC and nomination document/details are received. In case any one of aforesaid documents are not available on or after October 1, 2023, the folios shall be frozen by the RTA.

10. Members holding shares in demat form are requested to provide their e-mail address, mobile number, bank details and details relating to nomination to their Depository Participant(s) ("DP's"), in case the same are not updated.

11. Members holding shares in demat form are hereby informed that bank particulars registered with their respective DP's, with whom they maintain their demat accounts, will be used by the Company for the payment of dividend. The Company or KFintech cannot act on any request received directly from the members holding shares in demat form for any change or updation of bank particulars. Such changes/updation are to be intimated only to the DP's of the members. In case, the Company is unable to pay the dividend to any shareholder by the electronic mode, due to non-availability of the details of the bank account, the Company shall dispatch the dividend warrant/demand draft to such shareholders.

12. As per the Income-tax Act, 1961 as amended by the Finance Act, 2023 dividend income will be taxable in the hands of shareholders and the Company is required to deduct tax at source from dividend paid to shareholders at the prescribed rates. For detailed information on the same, please refer the Company's website at https://www.hdfcfund.com/about-us/governance/dividend.

13. Pursuant to the provisions of Sections 124 and 125 of the Act read with the relevant rules made thereunder, there is no amount of Dividend remaining unclaimed/unpaid for a period of 7 (seven) years and/or unclaimed equity shares which are required to be transferred to the Investor Education and Protection Fund (IEPF).

14. Members who hold shares in the physical form can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest, to avail of the nomination facility by filling Form No. SH-13 or Form ISR-3 (Declaration to Opt-out).

    Members holding shares in the dematerialised form may contact their DP's for recording the nomination in respect of their holdings.

15. Forms ISR-1, ISR-3, ISR-4 & SH-13 alongwith the supporting documents as stated above are required to be submitted to KFintech at the address mentioned below:

    KFin Technologies Limited (Formerly KFin Technologies Private Limited)
    Unit: HDFC Asset Management Company Limited
    Selenium Tower B, Plot 31-32,
    Financial District, Nanakramguda,
    Serilingampally Mandal, Hyderabad – 500032, Telangana
    Toll Free No.: 1800-309-4001
    E-mail: einward.ris@kfintech.com
    Website: https://www.kfintech.com or https://ris.kfintech.com/

    Members are requested to note that, KFintech has launched a mobile application - KPRISM and a website https://kprism.kfintech.com/ for our members. Now, members can download the mobile app and see portfolios serviced by KFintech, check dividend status, request for annual reports, change of address, change/update bank mandate and download standard forms. The android mobile application can be downloaded from Play Store by searching for "KPRISM".

16. Pursuant to the provisions of the Listing Regulations, the Company is maintaining an E-mail ID, shareholders.relations@hdfcfund.com exclusively for prompt redressal of members/ investors grievances.

17. In compliance with the aforesaid MCA Circulars and Listing Regulations, Notice of the AGM along with the Annual Report 2022-23 are being sent only through electronic mode to those Members whose E-mail addresses are registered with the Company/Depositories, unless any member has requested for a hard copy of the same. Members may note that the Notice and Annual Report 2022-23 will also be available on the Company's website at www.hdfcfund.com, websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com, respectively, and on the website of KFintech at https://evoting.kfintech.com/. Request for a hard copy of the aforesaid documents may be made by the members by sending request to the following investor e-mail ids - einward.ris@kfintech.com / shareholders.relations@hdfcfund.com.

18. Members who have not registered their email addresses so far are requested to register them for receiving all communication including Annual Report and Notice from the Company electronically.

19. Statutory Registers, certificate from Secretarial Auditors of the Company certifying that the ESOP Schemes of the Company are being implemented in accordance with the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, and all the documents referred to in the accompanying Notice and Explanatory Statement shall be available for inspection through electronic mode, basis the request being sent on shareholders.relations@hdfcfund.com.

20. Since the AGM will be held through VC / OAVM means, the route map is not annexed in this Notice. The Registered Office of the Company will be deemed to be the venue of the AGM. Pursuant to Regulation 44(6) of Listing Regulations, the Company shall provide live webcast of proceedings of AGM from 3.00 p.m. (IST) onwards on June 26, 2023. Members can view the proceedings of AGM by logging on to the e-voting website of KFintech at https://emeetings.kfintech.com/ using their remote e-voting credentials, where the e-voting Event Number ("EVEN") of Company will be displayed.

21. Instructions for e-voting and joining AGM though VC/OAVM:

    Pursuant to the provisions of Section 108 of the Act, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, Regulation 44 of the Listing Regulations, as amended from time to time, MCA Circulars and SS-2, the Company is pleased to provide the e-voting facility to its members to cast their vote electronically, through the e-voting services provided by KFintech on all resolutions set forth in this Notice.

    The remote e-voting period will commence at 10.00 a.m. (IST) on June 22, 2023 and will end at 5.00 p.m. (IST) on June 25, 2023. Remote e-voting shall not be allowed beyond the aforesaid date and time.

    The Members, whose names appear in the Register of Members / list of Beneficial Owners as on June 19, 2023, being the cut-off date, are only entitled to vote on the Resolutions set forth in this Notice.

    The Company has appointed Mr. Surjan Singh Rauthan (C.P. 3233), Proprietor of S. S. Rauthan & Associates, Practicing Company Secretaries to act as the Scrutiniser, to scrutinize the entire e-voting process at the AGM and remote e-voting in a fair and transparent manner.

    The Members desiring to vote through remote e-voting are requested to refer to the detailed procedure given hereinafter.

## Procedure for remote E-voting

i. In compliance with the provisions of Section 108 of the Act, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, Regulation 44 of the Listing Regulations, as amended from time to time and in terms of SEBI vide circular no. SEBI/HO/CFD/CMD/ CIR/P/2020/242 dated December 9, 2020 in relation to e-voting Facility provided by Listed Entities, the members are provided with the facility to cast their vote electronically, through the e-voting services provided by KFintech, on all the resolutions set forth in this Notice. The instructions for e-voting are given herein below.

ii. Pursuant to SEBI circular no. SEBI/HO/CFD/CMD/ CIR/P/2020/242 dated December 9, 2020 on "e-voting facility provided by Listed Companies", e-voting process has been enabled to all the **individual demat account holders**, by way of single login credential, through their demat accounts/websites of Depositories/DP's in order to increase the efficiency of the voting process.

iii. Individual demat account holders would be able to cast their vote without having to register again with the e-voting service provider (ESP) thereby not only facilitating seamless authentication but also ease and convenience of participating in e-voting process. Shareholders are advised to update their mobile number and e-mail ID with their DP's to access e-voting facility.

iv. The remote e-voting period commences on June 22, 2023 at 10 a.m. (IST).

v. The voting rights of Members shall be in proportion to their shares in the paid-up equity share capital of the Company as on the Cut-off Date.

vi. Any person holding shares in physical form and non-individual shareholders, who acquires shares of the Company and becomes a member of the Company after sending of the Notice and holding shares as of the Cut-Off Date, may obtain the login ID and password by sending a request at evoting@kfintech.com. However, if he/she is already registered with KFintech for remote e-voting then he/she can use his/her existing User ID and password for casting the vote.

vii. In case of Individual shareholders holding shares in demat mode and who acquires shares of the Company and becomes a member of the Company after sending of the Notice and holding shares as on the Cut-Off Date may follow steps mentioned below under "Login method for remote e-voting and joining virtual meeting for Individual shareholders holding securities in demat mode."

viii. The details of the process and manner for remote e-voting are explained herein below:

    **Step 1 :** Access to Depositories e-voting system in case of individual shareholders.

    **Step 2 :** Access to KFintech e-voting system in case physical and non-individual shareholders.

**Step 3 :** Access to join AGM of the Company through VC/OAVM on KFintech e-voting System and casting vote during the meeting.

**Details on Step 1 are mentioned below:**

### (I) Login method for remote e-voting for Individual shareholders holding securities in demat mode.

| Type of shareholders | Login Method |
|---|---|
| Individual Shareholders holding securities in demat mode with **NSDL** | **1. User already registered for IDeAS facility:**<br>I. Visit URL: https://eservices.nsdl.com<br>II. Click on the "Beneficial Owner" icon under "Login" under 'IDeAS' section.<br>III. On the new page, enter User ID and Password. Post successful authentication, click on "Access to e-voting"<br>IV. Click on company name or e-voting service provider and you will be re-directed to e-voting service provider website for casting the vote during the remote e-voting period.<br>**2. User not registered for IDeAS e-Services**<br>I. To register click on link : https://eservices.nsdl.com<br>II. Select "Register Online for IDeAS" or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp<br>III. Proceed with completing the required fields.<br>IV. Follow steps given in point 1.<br>**3. Alternatively by directly accessing the e-voting website of NSDL**<br>I. Open URL: https://www.evoting.nsdl.com/<br>II. Click on the icon "Login" which is available under 'Shareholder/Member' section.<br>III. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number held with NSDL), Password/OTP and a Verification Code as shown on the screen.<br>IV. Post successful authentication, you will be requested to select the name of the company and the e-voting Service Provider name, i.e.KFintech.<br>V. On successful selection, you will be redirected to KFintech e-voting page for casting your vote during the remote e-voting period. |
| Individual Shareholders holding securities in demat mode with **CDSL** | **1. Existing user who have opted for Easi / Easiest**<br>I. Visit URL: https://web.cdslindia.com/myeasinew/home/login or URL: www.cdslindia.com<br>II. Click on New System Myeasi<br>III. Login with your registered user id and password.<br>IV. The user will see the e-voting Menu. The Menu will have links of ESP i.e. KFintech e-voting portal.<br>V. Click on e-voting service provider name to cast your vote.<br>**2. User not registered for Easi/Easiest**<br>I. Option to register is available at https://web.cdslindia.com/myeasinew/Registration/EasiRegistration<br>II. Proceed with completing the required fields.<br>III. Follow the steps given in point 1<br>**3. Alternatively, by directly accessing the e-voting website of CDSL**<br>I. Visit URL: www.cdslindia.com<br>II. Provide your demat Account Number and PAN No.<br>III. System will authenticate user by sending OTP on registered Mobile & Email as recorded in the demat Account.<br>IV. After successful authentication, user will be provided links for the respective ESP, i.e KFintech where the e-voting is in progress. |
| Individual Shareholder login through their demat accounts / Website of Depository Participant | I. You can also login using the login credentials of your demat account through your DP registered with NSDL/CDSL for e-voting facility.<br>II. Once logged-in, you will be able to see e-voting option. Once you click on e-voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-voting feature.<br>III. Click on options available against company name or e-voting service provider – KFintech and you will be redirected to e-voting website of KFintech for casting your vote during the remote e-voting period without any further authentication. |

**Important note:** Members who are unable to retrieve User ID/ Password are advised to use Forgot user ID and Forgot Password option available at respective websites.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.

| Login type | Helpdesk details |
|---|---|
| Securities held with NSDL | Please contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: **022-4886 7000** and **022-2499 7000** |
| Securities held with CDSL | Please contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at **1800 22 55 33** |

### Details on Step 2 are mentioned below:

**Login method for e-voting for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.**

(A) Members whose email IDs are registered with the Company/ DP(s), will receive an email from KFintech which will include details of E-Voting Event Number (EVEN), User ID and Password. They will have to follow the following process:

i. Launch internet browser by typing the URL: https://emeetings.kfintech.com/

ii. Enter the login credentials (i.e. User ID and password). In case of physical folio, User ID will be EVEN (E-Voting Event Number) xxxx, followed by folio number. In case of Demat account, User ID will be your DP ID and Client ID. However, if you are already registered with KFintech for e-voting, you can use your existing User ID and password for casting the vote.

iii. After entering these details appropriately, click on "LOGIN".

iv. You will now reach password change Menu wherein you are required to mandatorily change your password. The new password should comprise of minimum 8 characters with at least one upper case (A- Z), one lower case (a-z), one numeric value (0-9) and a special character (@, #,$, etc.,). The system will prompt you to change your password and update your contact details like mobile number, email ID, etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.

v. You need to login again with the new credentials.

vi. On successful login, the system will prompt you to select the "EVEN" i.e., "HDFC Asset Management Company Limited - AGM" and click on "Submit"

vii. On the voting page, enter the number of shares (which represents the number of votes) as on the Cut-off Date under "FOR/AGAINST" or alternatively, you may partially enter any number in "FOR" and partially "AGAINST" but the total number in "FOR/AGAINST" taken together shall not exceed your total shareholding as mentioned herein above. You may also choose the option ABSTAIN. If the member does not indicate either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the shares held will not be counted under either head.

viii. Members holding multiple folios/demat accounts shall choose the voting process separately for each folio/ demat accounts.

ix. Voting has to be done for each item of the notice separately. In case you do not desire to cast your vote on any specific item, it will be treated as abstained.

x. You may then cast your vote by selecting an appropriate option and click on "Submit".

xi. A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you have voted on the resolution(s), you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the Resolution(s).

xii. Corporate/Institutional Members (i.e. other than Individuals, HUF, NRI etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/Authority Letter etc., authorizing its representative to attend the AGM through VC/OAVM on its behalf and to cast its vote through remote e-voting together with attested specimen signature(s) of the duly authorised representative(s), to the Scrutiniser at email id ssrauthan@ssrgroupindia.in with a copy marked to evoting@kfintech.com. The scanned image of the above-mentioned documents should be in the naming format "Corporate Name Even No."

(B) Members whose email IDs are not registered with the Company/DP(s), and consequently the Annual Report, Notice of AGM and e-voting instructions cannot be serviced, will have to follow the following process:

Members who have not registered their email address and in consequence the Annual Report, Notice of AGM and e-voting instructions cannot be serviced, may temporarily get their email address and mobile number provided with KFintech, by accessing the link: https://ris.kfintech.com/clientservices/mobilereg/mobileemailreg.aspx

Members are requested to follow the process as guided to capture the email address and mobile number for sending the soft copy of the notice and e-voting instructions along with the User ID and Password. In case of any queries, member may write to einward.ris@kfintech.com.

Alternatively, member may send their request at the email id einward.ris@kfintech.com along with scanned copy of the signed request letter providing the email address, mobile number, self-attested PAN copy and Client Master copy in case of electronic folio and copy of share certificate in case of physical folio for sending the Annual report, Notice of AGM and the e-voting instructions.

After receiving the e-voting instructions, please follow all steps above to cast your vote by electronic means.

**Details on Step 3 are mentioned below:**

**Instructions for all the shareholders for attending the AGM of the Company through VC/OAVM and e-voting during the meeting.**

i. Member will be provided with a facility to attend the AGM through VC/OAVM platform provided by KFintech. Members may access the same at https://emeetings.kfintech.com/ by using the e-voting login credentials provided in the email received from the Company/KFintech. After logging in, click on the Video Conference tab and select the EVEN of the Company. Click on the video symbol and accept the meeting etiquettes to join the meeting. Please note that the members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned above.

ii. Facility for joining AGM though VC/OAVM shall open atleast 30 minutes before the commencement of the Meeting.

iii. Members are encouraged to join the Meeting through Laptops/Desktops with Google Chrome (preferred browser), Safari, Microsoft Edge, Mozilla Firefox 22.

iv. Members will be required to grant access to the webcam to enable VC/OAVM. Further, Members connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.

v. As the AGM is being conducted through VC/OAVM, for the smooth conduct of proceedings of the AGM, Members are encouraged to express their views/send their queries in advance mentioning their name, demat account number/folio number, email id, mobile number at shareholders.relations@hdfcfund.com. Questions/queries received by the Company till June 19, 2023, shall only be considered and responded during the AGM.

vi. The Members who have not cast their vote through remote e-voting shall be eligible to cast their vote through e-voting system available during the AGM. E-voting during the AGM is integrated with the VC/OAVM platform. The Members may click on the voting icon displayed on the screen to cast their votes.

vii. A Member can opt for only single mode of voting i.e., through Remote e-voting or voting at the AGM. If a member casts votes by both modes, then voting done through Remote e-voting shall prevail and vote at the AGM shall be treated as invalid. A member may participate in the AGM even after exercising his right to vote through Remote e-voting but shall not be entitled to vote again.

viii. Facility of joining the AGM through VC/OAVM shall be available for atleast 2,000 members on first come first served basis and

ix. Institutional Members are encouraged to attend and vote at the AGM through VC/OAVM.

## Other Instructions

**I.** **Speaker Registration:** The Members who wish to speak during the meeting may register themselves as speakers for the AGM to express their views. They can visit https://emeetings.kfintech.com and login through the user id and password provided in the mail received from KFintech. On successful login, select 'Speaker Registration' which will open during the remote e-voting period. The Company reserves the right to restrict the speakers at the AGM to only those Members who have registered themselves, depending on the availability of time for the AGM.

II. In case of any query and/or grievance, in respect of voting by electronic means, Members may refer to the Help & Frequently Asked Questions (FAQs) and E-voting user manual available at the download section of https://evoting.kfintech.com (KFintech Website) or write to evoting@kfintech.com or call Ms. Krishna Priya Maddula, Senior manager (KFintech) at phone no. 040-67161510. Please contact KFintech's toll free No. 1800-3094-001 for any further clarifications.

III. The Members, whose names appear in the Register of Members/list of Beneficial Owners as on Monday, June 19, 2023, being the Cut-Off Date, are only entitled to vote on the Resolutions set forth in this Notice. A person who is not a member as on the Cut-Off Date should treat this Notice for information purposes only. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently.

IV. In case a person has become a member of the Company after dispatch of AGM Notice but on or before the cut-off date for E-voting, he/she may obtain the User ID and Password in the manner as mentioned below:

   i. If the mobile number of the member is registered against Folio No./DP ID Client ID, the member may send SMS: MYEPWD <space> E-Voting Event Number+Folio No. or DP ID Client ID to 9212993399

      1. Example for NSDL:
      2. MYEPWD <SPACE> IN12345612345678
      3. Example for CDSL:
      4. MYEPWD <SPACE> 1402345612345678
      5. Example for Physical:
      6. MYEPWD <SPACE> XXXX1234567890

   ii. If e-mail address or mobile number of the member is registered against Folio No./DP ID Client ID, then on the home page of https://evoting.kfintech.com/, the member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.

   iii. Members who may require any technical assistance or support before or during the AGM are requested to contact KFintech at toll free number 1 800-309-4001 or write to them at evoting@kfintech.com.

The results of the electronic voting shall be declared to the Stock Exchanges after the AGM. The results along with the Scrutiniser's Report, shall also be placed on the website of the Company.

## EXPLANATORY STATEMENT UNDER SECTION 102(1) OF THE COMPANIES ACT, 2013

### ITEM NO. 3

Mr. Keki Mistry was appointed as a Non-Executive Director of the Company w.e.f. December 24, 2007. He is also member of the Audit Committee and Risk Management Committee of the Company.

Pursuant to the provisions of Section 152 of the Companies Act, 2013 ("the Act"), at least one-third of the directors who are liable to retire by rotation, shall retire at every Annual General Meeting ("AGM") of the Company. Mr. Mistry, Non-Executive Director of the Company, retires by rotation at this AGM, and has conveyed his desire not to seek re-appointment. The Company does not propose to fill-up the vacancy at this AGM or any adjournment thereof and accordingly an ordinary resolution in this regard is proposed.

Your Directors placed on record their acknowledgement and appreciation for the valuable contributions made by Mr. Mistry during his tenure as Director of the Company.

The Board recommends passing of the Ordinary Resolution, as set out at Item No. 3 of this Notice, for approval of the Members.

Except Mr. Keki Mistry, none of the Directors and Key Managerial Personnel of the Company or their relatives is in any way concerned or interested, financially or otherwise, in the Ordinary Resolution as set out at Item No. 3 of this Notice.

### ITEM NOS. 4 to 8

The Members of the Company at their AGM held on July 16, 2019, had appointed following directors as Independent Directors of the Company for a term of five (5) consecutive years pursuant to the provisions of Section 149 and other applicable provisions of the Act and the Rules framed thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"):

| Sr. No. | Name of Directors | Tenure |
|---|---|---|
| 1. | Mr. Dhruv Kaji | October 31, 2018 up to October 30, 2023 |
| 2. | Mr. Jairaj Purandare | |
| 3. | Mr. Sanjay Bhandarkar | |
| 4. | Mr. Parag Shah | January 22, 2019 up to January 21, 2024 |
| 5. | Ms. Roshni Nadar Malhotra | April 27, 2019 up to April 26, 2024 |

Thus, the current term of Mr. Kaji, Mr. Purandare and Mr. Bhandarkar as Independent Directors of the Company ends on October 30, 2023 and of Mr. Shah and Ms. Malhotra as Independent Directors of the Company ends on January 21, 2024 and April 26, 2024, respectively.

Pursuant to Section 149 read with the Schedule IV to the Act and Regulation 25 read with the Schedule II of the Listing Regulations, an independent director can hold office for a term of upto five (5) consecutive years on the Board of a company, and he/she shall be eligible for re-appointment on passing of a special resolution by the Company. Also, no independent director shall hold office for more than 2 (two) consecutive terms.

The Company has received notices, pursuant to Section 160 of the Act, from members proposing the re-appointment of the aforesaid Independent Directors. Further, Brief Profile and other disclosures, as required under Regulation 36 of the Listing Regulations and SS-2 issued by the Institute of Company Secretaries of India, are annexed to this Notice.

In the opinion of the Board, the Independent Directors fulfill the conditions specified in the Act and Listing Regulations for their re-appointment as Independent Directors of the Company and are independent of the Management. Further, the aforesaid Independent Directors have given declarations to the Board of Directors to the effect that they meet the criteria of independence as provided in the Act and Listing Regulations and that they are not disqualified from being appointed as Directors in terms of Section 164 of the Act nor debarred from holding the office of director by virtue of any SEBI order or any other authority.

Considering their skills, background, experience, integrity, knowledge and contributions made over the years as Independent Directors of the Company and on the basis of their performance evaluation, the Board believes that their continued association as Independent Directors would be of immense benefit to the Company.

Accordingly, the Board of Directors of the Company at its meeting held on April 25, 2023 based on the recommendation of the Nomination & Remuneration Committee ("NRC"), has approved re-appointment(s) of Mr. Kaji, Mr. Purandare, Mr. Bhandarkar, Mr. Shah and Ms. Malhotra, as Independent Directors for a second term of 5 (five) consecutive years as follows subject to approval of the shareholders of the company by Special Resolution(s):

| Sr. No. | Name of Directors | Tenure |
|---|---|---|
| 1. | Mr. Dhruv Kaji | October 31, 2023 up to October 30, 2028 |
| 2. | Mr. Jairaj Purandare | |
| 3. | Mr. Sanjay Bhandarkar | |
| 4. | Mr. Parag Shah | January 22, 2024 up to January 21, 2029 |
| 5. | Ms. Roshni Nadar Malhotra | April 27, 2024 up to April 26, 2029 |

Accordingly, the approval of the Members is being sought for re-appointment of the aforesaid directors as Independent Directors of the Company for a further term of 5 years as mentioned above pursuant to the provisions of Sections 149, 152 and Schedule IV to the Act and Rules made thereto and Listing Regulations and they shall not be subject to retirement by rotation.

It may be pertinent to note that Mr. Dhruv Kaji, would be attaining the age of 75 years during his second term of appointment. In compliance with the provisions of Regulation 17(1A) of the Listing Regulations, the continuation of Directorship of a person who has attained the age of 75 years shall be subject to the approval of the members by special resolution and therefore approval is sought to appoint the said Director for a term of five years and for the said Director to continue holding office during the term even after attaining the age of seventy-five years.

Mr. Dhruv Kaji holds a Bachelor's degree in Commerce from the University of Mumbai and is an Associate Member of the Institute of Chartered Accountants of India. He was the Finance Director of Raymond Limited and Executive Director of Pines worth Holdings Pte. Ltd. (Singapore). He is currently an advisor, guiding business strategies and organizational development, both in India and abroad. He brings independent judgement and steers discussions in thoughtful directions both within Board room and otherwise. The Board believes that his continued association as Independent Director would be of immense benefit to the Company.

A copy of the draft letter of re-appointment to be issued to Mr. Kaji, Mr. Purandare, Mr. Bhandarkar, Mr. Shah and Ms. Malhotra setting out the terms and conditions and other material documents are available for inspection.

The Board recommends passing of the Special Resolutions, as set out at Item Nos. 4 to 8 of this Notice, for approval of the members.

Except for Mr. Kaji, Mr. Purandare, Mr. Bhandarkar, Mr. Shah and Ms. Malhotra and their relatives, none of the other Directors or

Key Managerial Personnel of the Company or their relatives is in any way concerned or interested, financially or otherwise, in the Special Resolutions as set out at Item Nos. 4 to 8 of this Notice.

Pursuant to Regulation 36 of the Listing Regulations and SS-2, the details of directors seeking re-appointment are mentioned below:

| Name of the Director | Mr. Dhruv Kaji | Mr. Jairaj Purandare | Mr. Sanjay Bhandarkar | Mr. Parag Shah | Mrs. Roshni Nadar Malhotra |
|---|---|---|---|---|---|
| Director Identification Number | 00192559 | 00159886 | 01260274 | 00374944 | 02346621 |
| Age | 72 years | 63 years | 54 years | 47 years | 41 years |
| Date of Appointment on the Board | October 31, 2018 | October 31, 2018 | October 31, 2018 | January 22, 2019 | April 27, 2019 |
| Nationality | Indian | Indian | Indian | Indian | Indian |
| Qualifications | B.Com. (University of Mumbai), Chartered Accountant | B.Sc. (Hons) (University of Mumbai), Chartered Accountant | B. Com. (University of Pune), MBA (XLRI, Jamshedpur) | Bachelor's degree in Science (Computer Engineering) from the Illinois Institute of Technology, Graduate of the General Management Program of the Harvard Business School | MBA from the Kellogg Graduate School of Management, Northwestern University |
| Experience (including expertise in specific functional area)/Brief resume | He was the Finance Director of Raymond Limited, Executive Director of Pines worth Holdings Pte. Ltd. (Singapore) and a Director on the Boards of Raymond Apparel Limited, Colorplus Fashions Limited, Hindustan Oil Exploration Company Limited, Balaji Telefilms Limited, Balaji Motion Pictures Limited and Diamines & Chemicals Limited. He is currently an advisor, guiding business strategies and organisational development, both in India and abroad. He is also a Director on the Board of Network 18 Media & Investments Limited, TV 18 Broadcast Limited, and Ceinsys Tech Limited. | He is the Founder Chairman of JMP Advisors Pvt Ltd, a leading advisory, tax and regulatory services firm, based in Mumbai, India. He has more than three and half decades of experience in tax and business advisory matters and is an authority on tax and regulation. He was Regional Managing Partner, Chairman – Tax and Country Leader - Markets & Industries of Pricewaterhouse Coopers, India. He was earlier Chairman of Ernst & Young India (EY). He was the Country Head of the Tax & Business Advisory practice of Andersen India, before joining EY. He has considerable experience across the Financial Services, Infrastructure, Power, Telecom, Media, Pharma and Auto sectors. International Tax Review (Euromoney), in its report - World's Leading Tax Advisors, has named him several times as among the leading Tax Advisors in India. A frequent speaker at seminars in India and abroad, he has presented several papers in areas of his expertise, including inbound/outbound investment structuring, international tax, transfer pricing, M&As, Indian Budget and Economy. He is an Independent Director on the Board of one other company. | He has over three decades of corporate finance, advisory and investment banking experience in the country. He is also currently an independent non-executive director on the boards of other listed companies viz. Tata Power Company Limited and Chemplast Sanmar Limited and also on the board of other unlisted companies viz. Tata Projects Limited and National Investment and Infrastructure Fund Limited, on the latter as a shareholder nominee. Mr. Bhandarkar is on the Investment Committee of a SEBI registered seed capital fund called Contrarian Vriddhi as an external IC member. The fund has fully invested its corpus. He is also on the Investment Committee of the US$ 170m South Asia Growth Fund II of GEF Capital Partners as an external IC member. He is on the advisory board of 1Crowd, a seed capital stage online investing platform which has also raised a SEBI approved fund for seed stage investing. Mr. Bhandarkar started his career with ICICI in 1990 and ISec, the joint venture between ICICI and JP Morgan, and then spent two years with Peregrine Capital. He was part of the founding team of Rothschild India in 1998 and played a key role in establishing Rothschild as a well-recognised and respected pure play advisory investment banking firm in India. | Mr. Parag Shah is Head, Mahindra Accelo and a member of the Group Executive Board of the Mahindra Group. In a career spanning over 22 years, Parag has held various positions with the Mahindra Group and is a Director on several Group companies. He has extensive experience in building new businesses, startups, turn arounds, joint ventures, and mergers & acquisitions. He is a member of the Group Sustainability Council. He is the Group lead for business representation in Israel. Mahindra Accelo group of companies comprises of one of India's largest independent supply networks for Automotive steel & components along with one of world's largest supply networks for Electrical steel. Accelo also supplies value added products like motors and motor cores to Consumer Durables and Electric Vehicle industries. The company has recently forayed into Recycling under the brand name Cero and has India's largest automotive recycling network. Prior to his current assignment, Parag was the Managing Partner of Mahindra Partners, the 1 Bn USD Private Equity and Venture Capital division of the Group which was responsible for incubation, turnaround and investments in several sectors like Cleantech, Retail, Boat Manufacturing, Consulting, Media, Healthcare, Conveyor Systems, AI & Analytics. | She is the Chairperson of HCLTech, a leading global technology company with revenue of $12.3+ billion and 220,000+ employees across 60 countries. She is responsible for providing strategic direction and leadership to the company. Ms. Malhotra is also the Chairperson of HCLTech's CSR Board Committee. As part of this role, she is responsible for guiding and overseeing the company's CSR initiatives and ensuring that they align with the company's values and business objectives. She is also the Trustee of the Shiv Nadar Foundation, which is committed to the process of nation building by driving transformational leadership through education. She is the Chairperson and driving force behind VidyaGyan, a leadership academy for the meritorious but economically underprivileged, rural students of Uttar Pradesh. She is also the Founder & Trustee of the Habitats Trust, a foundation working towards protecting habitats and their indigenous species. Passionate about wildlife and nature, she founded the Trust with the mission of creating and conserving sustainable ecosystems through strategic partnerships and collaborations with all stakeholders. |

| Name of the Director | Mr. Dhruv Kaji | Mr. Jairaj Purandare | Mr. Sanjay Bhandarkar | Mr. Parag Shah | Mrs. Roshni Nadar Malhotra |
|---|---|---|---|---|---|
| | | | He led the Rothschild India business from December 2005 to June 2016 when he stepped down from his full-time role. Mr. Bhandarkar's focus at Rothschild was on M&A as well as equity capital market advisory for Indian and international companies. He led the teams that worked closely with the Government of India on the 3G and BWA spectrum auctions, the first e-auctions done in India, and on the restructuring of the Enron and GE owned Dabhol power project, one of the largest and most complex restructurings to date. | Parag has been recognised by Economic Times & Spencer Stuart as India's Top 40 Business Leaders under the age of 40. He was also featured by India Today as 'Leaders of Tomorrow' in their anniversary issue. Parag has been an Executive Committee Member of the CII National Committee on Private Equity and Venture Capital, FICCI Solar Energy Task Force, CII National Committee on Renewable Energy, American Alumni Association in addition to other external associations. He is also an angel investor & is on the advisory board of Trustees of the IndUS Entrepreneurs, Mumbai (TiE). Parag is affiliated with various NGO associations such as Sabarkanta Relief Committee and S&G Charitable Trust. He has also been a Founder Director of "Executives Without Borders", an NGO based in USA. | Ms. Malhotra is a member of the Dean's Advisory Council at the MIT School of Engineering, USA and a member of the Kellogg School of Management Executive Board for Asia. She serves on the board of directors of US-India Strategic Partnership Forum (USISPF). In recognition of her outstanding work both in business and in philanthropy, Ms. Malhotra has received several honors and accolades including being featured for the sixth consecutive year in 'The World's 100 Most Powerful Women' list, compiled and released by Forbes in 2022. She is an alumnus of the Forum of Young Global Leaders (YGL), a unique and diverse community of the world's most outstanding, next-generation leaders, an initiative of the World Economic Forum. |
| No. of shares held | Nil | Nil | Nil | Nil | Nil |
| Terms and conditions of appointment/ re-appointment | Please refer to the Resolutions and Explanatory Statements for Item Nos. 4 to 8. | | | | |
| Directorships held in other companies* | • Network18 Media & Investments Limited<br>• TV18 Broadcast Limited<br>• Ceinsys Tech Limited<br>• Superadd Trade Private Limited | • Piramal Pharma Ltd<br>• JMP Advisors Private Limited<br>• Indegene Limited | • Tata Power Company Limited<br>• Chemplast Sanmar Limited<br>• Tata Projects Limited<br>• Tata Power Renewable Energy Limited<br>• Walwhan Renewable Energy Limited<br>• National Investment and Infrastructure Fund Limited<br>• Newage Power Company Private Limited<br>• Tata Power Solar System Limited | • New Delhi Centre for Sight Limited<br>• Mahindra Accelo Limited (formerly known as Mahindra Intertrade Limited)<br>• Mahindra Auto Steel Private Limited<br>• PSL Media & Communications Limited<br>• Mahindra Marine Private Limited<br>• The Indian and Eastern Engineer Company Private Limited<br>• Mahindra Waste To Energy Solutions Limited<br>• Medwell Ventures Private Ltd | • HCL Technologies Limited<br>• SSN Investments (Delhi) Private Limited<br>• Vama Sundari Investments (Delhi) Private Limited<br>• SSN Investments (Pondi) Private Limited<br>• Blueberry Investments (Chennai) Private Limited<br>• Guddu Investments (Chennai) Private Limited<br>• SSN Investments (Chennai) Private Limited<br>• Slocum Investments (Chennai) Private Limited<br>• HCL IT City Lucknow Private Limited |

| Name of the Director | Mr. Dhruv Kaji | Mr. Jairaj Purandare | Mr. Sanjay Bhandarkar | Mr. Parag Shah | Mrs. Roshni Nadar Malhotra |
|---|---|---|---|---|---|
| | | | | | • KRN Education Private Limited<br>• HCL Avitas Private Limited<br>• HCL Corporation Private Limited<br>• HCL Capital Private Limited (formerly known as Metos Investment Pvt Ltd)<br>• HCL Games Private Limited<br>• HCL Cortech Private Limited<br>• Julian Investments (Chennai) Private Limited |
| **Directorship of listed entities from which director has resigned in the past 3 years** | - | S H Kelkar and Company Limited | - | Mahindra Logistic Limited | - |
| **Membership/ Chairmanship of committees in other companies #** | Member of Audit Committee and Stakeholders Relationship Committee of Network18 Media & Investments Limited<br>Chairman of Stakeholders Relationship Committee of TV18 Broadcast Limited<br>Member of Audit Committee of TV18 Broadcast Limited<br>Member of Audit Committee of Ceinsys Tech Limited | Chairman of Audit Committee of Piramal Pharma Limited<br>Chairman of Audit Committee and Stakeholders Relationship Committee of Indegene Limited | Member of Audit Committee of Tata Power Limited<br>Chairman of Audit Committee of Chemplast Sanmer Limited<br>Chairman of Audit Committee of Tata Projects Limited<br>Chairman of Audit Committee of Tata Power Renewable Energy Limited<br>Chairman of Audit Committee of Walwhan Renewable Energy Limited | Member of Audit Committee of Mahindra Accelo Limited (Formerly known as Mahindra Intertrade Limited) | Member of Stakeholders Relationship Committee of HCL Technologies Limited |
| **Relationship with other Directors and Key Managerial Personnel** | None | None | None | None | None |
| **Remuneration sought to be paid** | Sitting fees and commission | Sitting fees and commission | Sitting fees and commission | Sitting fees and commission | Sitting fees and commission |

| Name of the Director | Mr. Dhruv Kaji | Mr. Jairaj Purandare | Mr. Sanjay Bhandarkar | Mr. Parag Shah | Mrs. Roshni Nadar Malhotra |
|---|---|---|---|---|---|
| **Remuneration last drawn (in Rs.)** | 44,00,000 | 44,00,000 | 45,00,000 | 36,00,000 | 29,00,000 |
| **Number of meetings of the Board attended during the year** | 5 | 5 | 5 | 5 | 3 |
| **In the case of independent directors, the skills and capabilities required for the role and the manner in which the proposed person meets such requirements** | For details of skills and capabilities required for the role and the manner in which the proposed person meets such requirements related to FY 2022-23, please refer Corporate Governance Report forming part of the Annual Report 2022-23. | | | | |

* excludes directorships held in foreign companies.

# includes Chairmanship/membership of the Audit Committee and the Stakeholders Relationship Committee of only other public limited companies, whether listed or not.

HDFC
ASSET MANAGEMENT COMPANY LIMITED

24th Annual Report 2022-23

# A new era of wealth creation. For a new India.

# A new era of wealth creation. For new India.

A new India emerges in the 'Amrit Kaal', brimming with new hope and aspirations for a shared and prosperous future. Taking confident strides to become a developed nation by 2047, India is exploring newer avenues to drive sustained wealth creation, effecting a tectonic shift in the way we save and invest. This is leading to a greater financialisation of wealth, increasingly substituting traditional instruments in favour of capital market-oriented solutions, and driven by favourable demographics, growing middle-class and economic formalisation.

We, at HDFC AMC, envision ourselves to be a trusted partner in India's wealth creation journey. With our intuitive, user-friendly and comprehensive product suite, experience in navigating business cycles, wide and deep distribution network, and robust technology backbone, we aspire to be a wealth creator for every Indian, while reimagining the future of saving and investments.

We are further enhancing trust by raising the bar with our best-in-class governance and robust risk management, while embedding the highest judiciousness in our decision-making and dealing with our stakeholders. With a growing optimism and an unwavering commitment, we are at the forefront of a new era of wealth creation for a new India.

# Contents



# HDFC AMC: Quick Facts

## Performance Highlights FY 22-23

**Mutual Fund Assets Under Management (AUM)**
(in Crore)
**₹4,36,696**
^ 7%

**Profit After Tax**
(in Crore)
**₹1,424**
^ 2%

**Dividend Payout Ratio**
**72%**

**Unique Investors**
**66 Lakh**

**Employees**
**1,281**

**Employee Training Man-Hours**
**29,000+**

**E-waste Processed in an Environment Friendly Manner**
**650+ Kg**

**Women in Workforce**
**28%**

^ Growth YoY

**Note:**

- All data is as of March 31, 2023 for FY22-23 unless stated otherwise
- For details on Mutual Fund AUM, refer to page 6

## HDFC AMC at a Glance

# Pedigree matters, discipline delivers

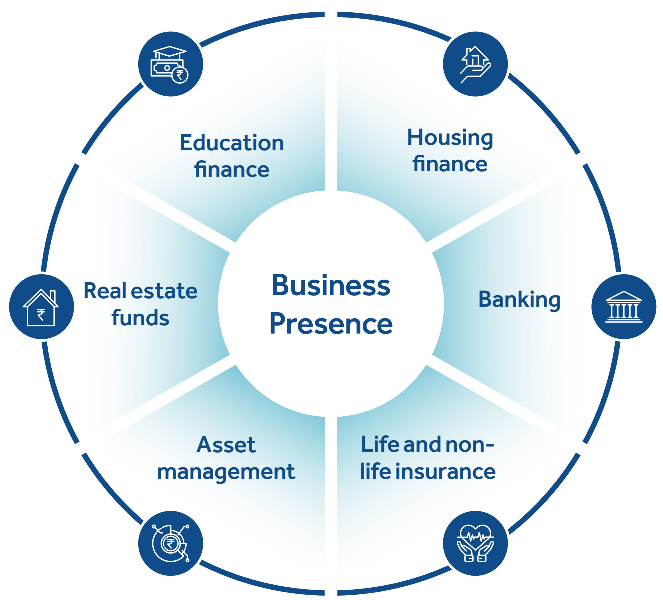
HDFC AMC stands out as one of India's most profitable mutual fund manager and is renowned for being one of the leading houses for actively managed equity-oriented assets under management (AUM). Our unparalleled expertise in sustainable wealth creation, customer-centric approach and adherence to ethical business practices have won us a special place in hearts of our stakeholders.

## Our promoter shareholders

Our principal shareholders are Housing Development Finance Corporation Limited (HDFC Limited) and abrdn Investment Management Limited, which own 52.6% and 10.2% stake (as on March 31, 2023), respectively. The brand equity, goodwill, and expertise of our sponsors empowers us to grow from strength to strength. During the year, the Board of Directors of HDFC Limited approved a composite scheme of amalgamation for the amalgamation inter alia of HDFC Limited with and into HDFC Bank Limited.

### HDFC Limited

HDFC was incorporated in 1977 as a specialised mortgage finance company, and today is a financial conglomerate with a dominant presence in housing finance, banking, life and non-life insurance, asset management, real estate funds and education finance.




### abrdn Investment Management Limited

abrdn Investment Management Limited (AIML) (erstwhile Standard Life Investments Limited) is a wholly-owned subsidiary of abrdn Investments (Holdings) Limited (formerly Standard Life Investments (Holdings) Limited), which in turn is a wholly-owned subsidiary of abrdn plc (formerly Standard Life Aberdeen plc).

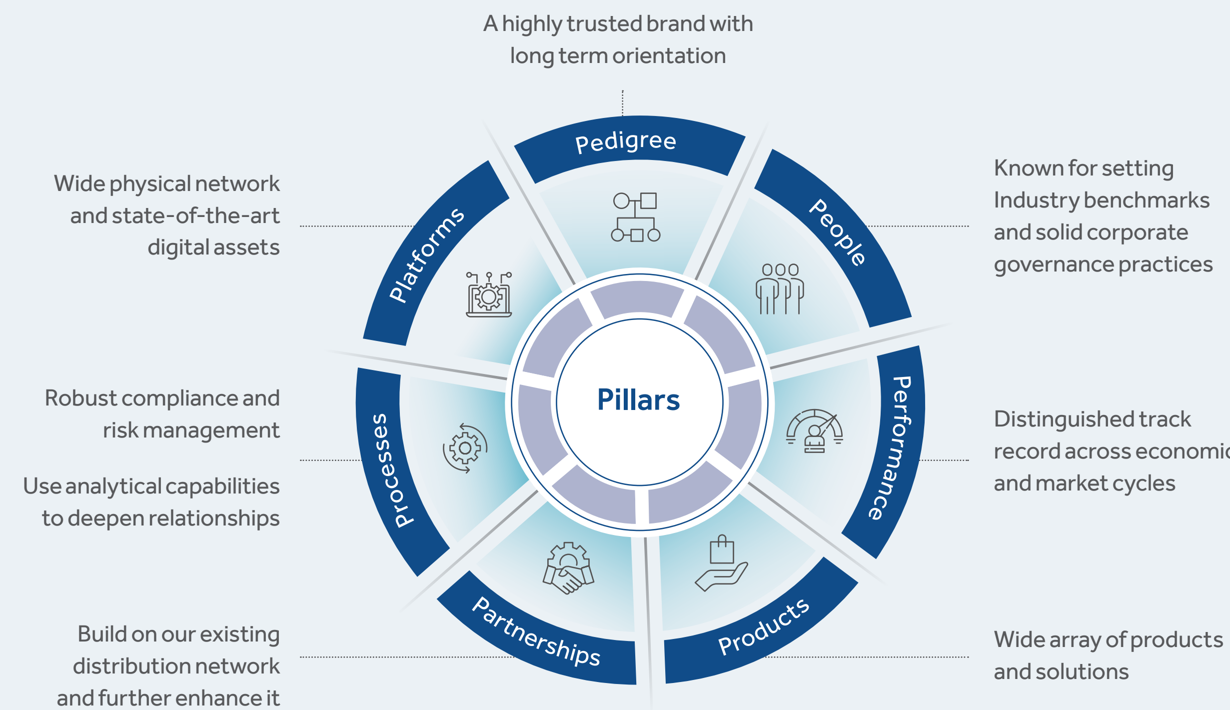




## Purpose – Pillars – Passion

**Purpose (Mission)**

To be the wealth creator for every Indian




**Passion (Vision)**

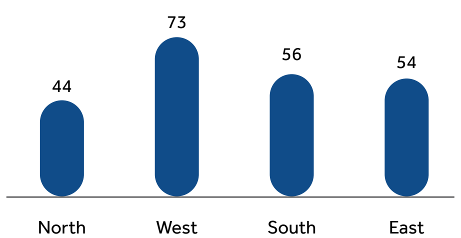
To be the most respected asset manager in the world

## Presence

# Enabling access to diverse investing avenues

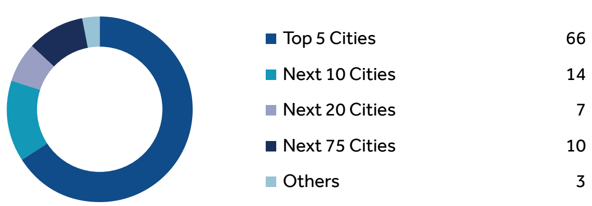
Our strong distribution reach is one of the major drivers of our growth. During the year, we continued to enhance our footprint. We constantly strive to identify and establish our presence in cities with growth potential.

### Spread of branches across India

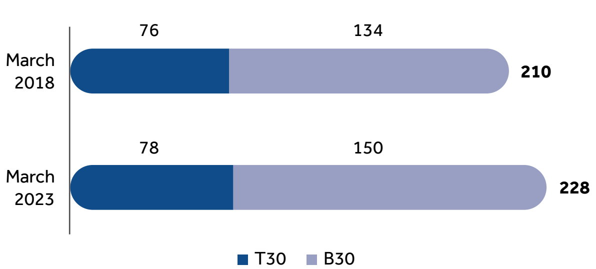



Note: We also have a representative office in Dubai

### Percentage of AUM by geography (%)




### Physical footprint - Branches




### Investor base break-up (%)


### Geography-wise breakup (%)


T30 – Top 30 cities in India

B30 – Beyond the top 30 cities in India

* Monthly average AUM

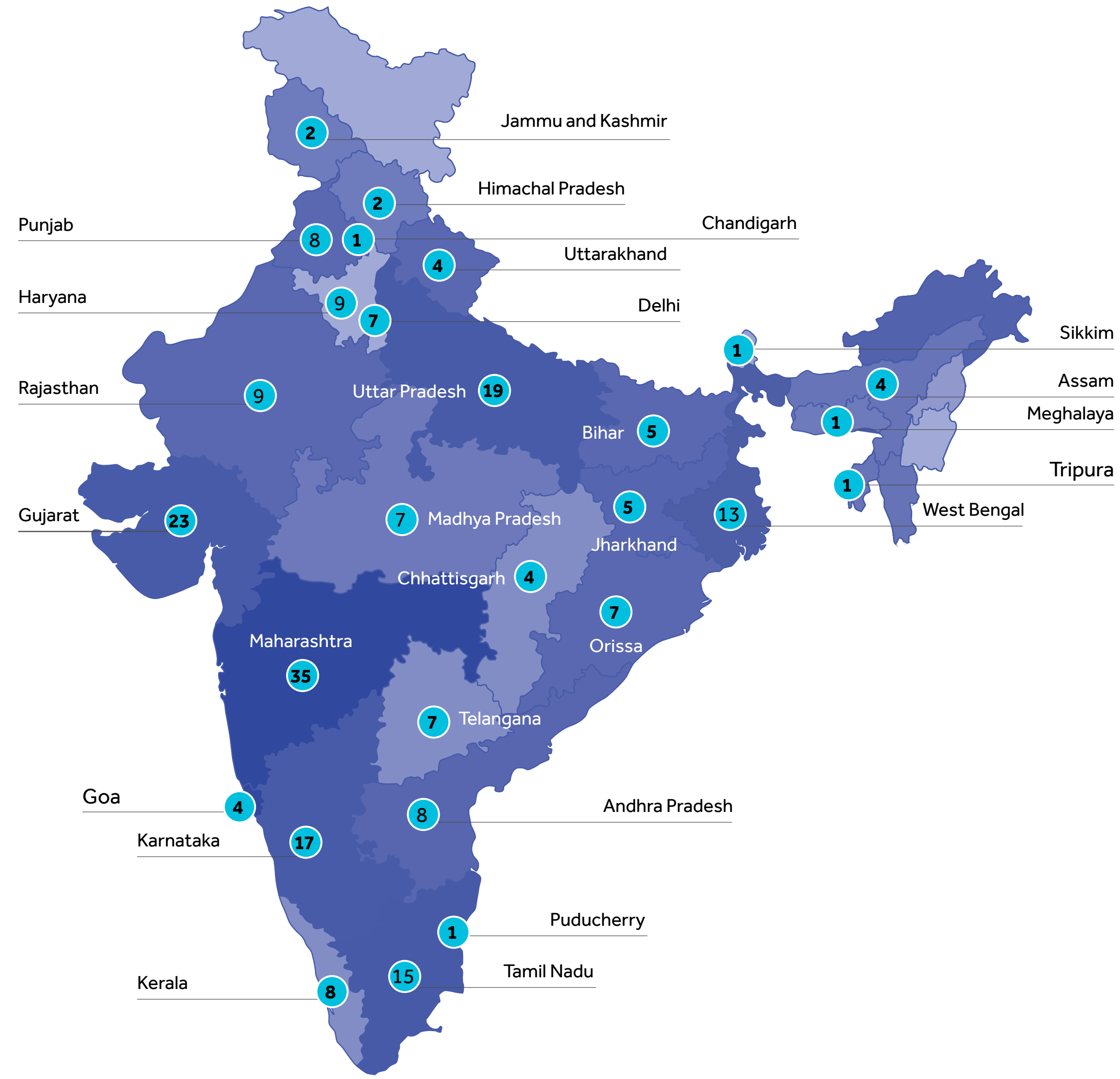




## Nationwide presence

### Deep reach

Our strong distribution enables us to take financial inclusion to the last mile at scale. Over the last one year, we have worked very hard to reach out to our distribution partners. Our efforts have had a visible increase in the number of active MFDs, product approvals, NFO participation, learning events, online engagement, and even new SIPs




| 1,281 | 228* | 75,000+ | 99% |
|---|---|---|---|
| Employees | Branches | Distribution partners | Pincodes serviced across India |

* Includes a representative office in Dubai

## Comprehensive Product Portfolio

# Widening avenues for investing

If you are looking for a one stop shop for your investment needs to achieve your financial goals, we are the right choice. We continue to bring prosperity to the lives of our customers with an endeavour to create sustainable wealth through our diverse products. Our active strategies consist of equity, liquid, debt and hybrid solutions and passive strategies comprise of ETFs, FoFs and index funds.

| Equity-oriented | Debt-oriented | Liquid | Other | Total |
|---|---|---|---|---|
| 29 schemes | 32 schemes | 2 schemes | 23 schemes | 86 schemes |

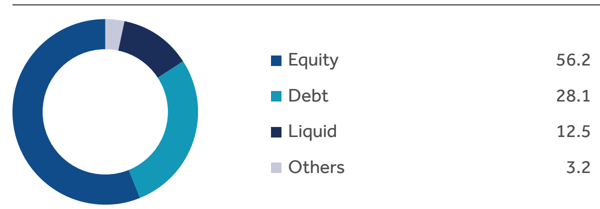
Note: As of March 31, 2023

Equity-oriented includes all solution oriented schemes/ portfolios. Liquid includes Liquid and Overnight funds. Others includes Arbitrage funds, Exchange Traded Funds (ETF) and Fund of Funds (FoF).

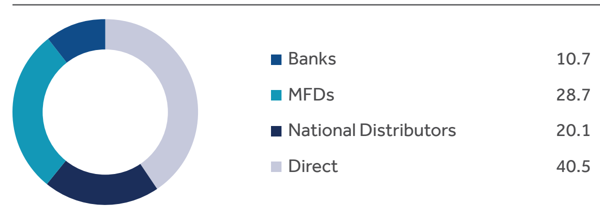
(₹ in Crore)

| Category of the scheme | AUM on last day of quarter ended March 31, 2023 | Average AUM for the quarter ended March 31, 2023 |
|---|---|---|
| Liquid Fund/Money Market Fund/ Floater Fund | 82,693 | 1,02,602 |
| Gilt Fund/ Gilt Fund with 10 year constant duration | 1,874 | 1,740 |
| Remaining Income/ Debt Oriented Schemes | 86,219 | 82,261 |
| Growth/ Equity Oriented Schemes (Other than ELSS) | 1,37,498 | 1,37,328 |
| ELSS Funds | 9,857 | 9,857 |
| Hybrid Schemes | 81,828 | 83,254 |
| Solution Oriented Schemes | 10,154 | 9,948 |
| Index Funds | 17,159 | 14,194 |
| GOLD ETF | 3,707 | 3,473 |
| Other ETF | 4,683 | 4,102 |
| Fund of Fund investing overseas | 1,025 | 1,005 |
| **Total** | **4,36,696** | **4,49,766** |

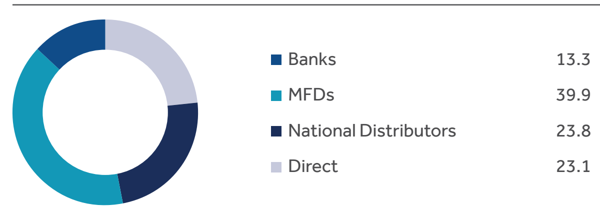
### Segment-wise Break-Up (%)




### Channel-wise Break-Up of Total AUM (%)




### Channel-Wise Break-Up of Equity-Oriented AUM (%)




Note: As of March 31, 2023





With our active, passive and alternative funds, we are ready for the next leap. If asset allocation is the key, we make it easy.

## Active Funds

HDFC MUTUAL FUND

### Equity

- HDFC Flexi Cap Fund
- HDFC Multi Cap Fund
- HDFC Top 100 Fund
- HDFC Mid-Cap Opportunities Fund
- HDFC Small Cap Fund
- HDFC Large and Mid Cap Fund
- HDFC Capital Builder Value Fund
- HDFC Dividend Yield Fund
- HDFC Focused 30 Fund
- HDFC Business Cycle Fund
- HDFC Banking & Financial Services Fund
- HDFC Housing Opportunities Fund
- HDFC Infrastructure Fund
- HDFC MNC Fund
- HDFC TaxSaver

### Debt

- HDFC Overnight Fund
- HDFC Liquid Fund
- HDFC Ultra Short Term Fund
- HDFC Low Duration Fund
- HDFC Money Market Fund
- HDFC Short Term Debt Fund
- HDFC Medium Term Debt Fund
- HDFC Income Fund
- HDFC Long Duration Debt Fund
- HDFC Floating Rate Debt Fund
- HDFC Corporate Bond Fund
- HDFC Banking and PSU Debt Fund
- HDFC Credit Risk Debt Fund
- HDFC Dynamic Debt Fund
- HDFC Gilt Fund
- Fixed Maturity Plans

### Hybrid

- HDFC Balanced Advantage Fund
- HDFC Hybrid Equity Fund
- HDFC Multi-Asset Fund
- HDFC Asset Allocator Fund of Funds
- HDFC Equity Savings Fund
- HDFC Hybrid Debt Fund
- HDFC Arbitrage Fund
- HDFC Dynamic PE Ratio Fund of Fund

### Solution Oriented

- HDFC Children's Gift Fund
- HDFC Retirement Savings Fund - Equity Plan
- HDFC Retirement Savings Fund - Hybrid Equity Plan
- HDFC Retirement Savings Fund - Hybrid Debt Plan

## Passive Funds

HDFC MF INDEX SOLUTIONS

### Index

- HDFC Index Fund - NIFTY 50 Plan
- HDFC Index Fund - S&P BSE SENSEX Plan
- HDFC NIFTY 100 Index Fund
- HDFC NIFTY50 Equal Weight Index Fund
- HDFC NIFTY 100 Equal Weight Index Fund
- HDFC NIFTY Next 50 Index Fund
- HDFC NIFTY Midcap 150 Index Fund
- HDFC NIFTY Smallcap 250 Index Fund
- HDFC S&P BSE 500 Index Fund
- HDFC Nifty G-Sec Dec 2026 Index Fund
- HDFC Nifty G-Sec Jul 2031 Index Fund
- HDFC Nifty G- Sec Jun 2027 Index Fund
- HDFC Nifty G-Sec Sep 2032 Index Fund
- HDFC NIFTY G- Sec Apr 2029 Index Fund
- HDFC NIFTY G-Sec Jun 2036 Index Fund
- HDFC NIFTY SDL Plus G-Sec Jun 2027 40:60 Index Fund
- HDFC Nifty SDL Oct 2026 Index Fund

### ETF

- HDFC NIFTY 50 ETF
- HDFC S&P BSE SENSEX ETF
- HDFC NIFTY Bank ETF
- HDFC NIFTY 100 ETF
- HDFC NIFTY Next 50 ETF
- HDFC NIFTY50 VALUE 20 ETF
- HDFC NIFTY100 Quality 30 ETF
- HDFC NIFTY Growth Sectors 15 ETF
- HDFC NIFTY100 Low Volatility 30 ETF
- HDFC NIFTY200 Momentum 30 ETF
- HDFC NIFTY IT ETF
- HDFC NIFTY Private Bank ETF
- HDFC NIFTY Midcap 150 ETF
- HDFC NIFTY Smallcap 250 ETF
- HDFC S&P BSE 500 ETF
- HDFC Gold ETF
- HDFC Silver ETF

### Fund of Funds

- HDFC Gold Fund
- HDFC Silver ETF Fund of Fund
- HDFC Developed World Indexes Fund of Funds

## GIFT City

HDFC INTERNATIONAL

HDFC AMC International (IFSC) Limited - WOS company set up and funded

## Alternatives

HDFC ALTERNATIVES

We launched HDFC AMC Select AIF FOF – I

HDFC PORTFOLIO MANAGEMENT

Launched All Caps PMS and India Ascent Portfolio

## Investment Philosophy

# Delivering risk-adjusted returns

A robust investment philosophy, efficient risk management, best-in-class practices and sound governance have consolidated our position as India's leading asset management company.

## Equity-oriented schemes

Equity-oriented schemes constituted 56% of our total AUM as of March 31, 2023. Our investments in equities are driven by fundamental research with a medium to long-term view. Our investment philosophy for equity-oriented schemes is based on the belief that over time, stock prices reflect their intrinsic values. Our research efforts are predominantly bottom-up focused, keeping in mind the economic outlook and macro-economic conditions. The emphasis is on key drivers and calibrating risks, taking into account both quantitative (growth prospects, key variables, analysis of P&L statements, Balance Sheet and cash flows etc.) and qualitative (management quality, corporate governance, track record, competitive advantage, feedback from dealers, customers and experts, etc.) factors. At the same time, we aim to acquire businesses available at reasonable valuations and hold onto them for an extended time frame.

With a view to offer choice of diversity of styles to our customers and to mitigate business risk, we have built capabilities by adding appropriate resources during last few years. While we already have products that focus on different market capitalisations, we feel diversity in our investment style and approach will be in the long-term interest of our customers and the business. We will remain firmly focused on fundamentals-led research and will continuously improve our understanding of the investment universe.

**Investment Team**

**28**
Analysts and investment team

**~500 years**
Combined work experience

## Debt-oriented schemes

The investments in fixed income securities by our debt schemes are guided by our investment philosophy of Safety, Liquidity and Returns (SLR), generally prioritised in that order. Given the limited liquidity of fixed income markets in India, especially in difficult times, we believe focus on liquidity, especially in open-ended schemes is of paramount importance. It was this philosophy that enabled our schemes to tide over a very challenging environment in fixed income markets over the last few years due to default by a large Non-Banking Finance Companies (NBFC) and Housing Finance Companies (HFC), COVID-19 related credit stresses, as well as the shutting of several fixed income schemes by another mutual fund house due to illiquidity of underlying portfolios. Our debt-oriented schemes constituted 44% of our total AUM as of March 31, 2023. Our schemes invest in debt securities including government securities, non-convertible debentures, corporate bonds, asset-backed securities, money market instruments, etc. All investments are made in line with the respective Scheme Information Document (SID) and in permitted instruments. Our Credit Risk Assessment framework lays emphasis on the Four Cs of Credit–Character of management, Capacity to pay, Collateral pledged to secure debt and Covenants of debt–wherever applicable. Further, we have an internal framework to determine absolute and relative investment exposure limits for individual credits. This approach, along with a good understanding of credits, has helped us avoid a majority of the stress cases faced by the mutual fund industry over the past decade. Add to this the conservative sizing of investments, we have kept credit losses to minimal levels. Apart from quality credit research, we aim to add value in fixed income investments by managing duration of portfolios driven by our medium to long-term view on interest rates, yield curve, etc.

Key Terminologies

# Decoding key mutual fund terminologies

Asset management companies have distinct business models where funds are raised from investors and invested by the company. In this section, we try to simplify some of the industry-specific metrics used frequently.





## Key lexicon

### Asset Under Management (AUM)

It is the total value of all investments managed by the mutual fund. AUM can be at a scheme level or a plan level. For a mutual fund as a whole, AUM represents value of total investments across all schemes.

### Net Asset Value (NAV)

It is the price of each unit of a mutual fund scheme. Typically, new mutual fund schemes are priced at ₹10 per unit during the New Fund Offer (NFO) period. Consequently, the NAV will change depending on the performance of the scheme.

### Asset Allocation

This refers to the investment strategy that aims to balance risk and rewards by allocating capital between different asset classes such as equity, debt, etc.

### Total Expense Ratio

The expense ratio of a mutual fund is calculated by dividing the total expenses the fund has incurred by its AUM. It gives the cost, a mutual fund incurs, for managing each unit. A mutual fund deducts these expenses from the NAV before declaring it on a daily basis.

### Systematic Investment Plan (SIP)

A mutual fund gives investors an option of either investing lump sum or through a SIP, breaking the amount into periodic investments over a long period. For example, if an investor wants to invest ₹60,000 annually in a mutual fund scheme and does not have the lump sum amount available, he/she can opt for an SIP of ₹5,000 every month.

### Systematic Transfer Plan (STP)

This plan can be used in volatile markets to gradually transfer or switch small amounts of investments at chosen intervals (days/month/quarter) from one scheme to another scheme of a mutual fund.

### Systematic Withdrawal Plan (SWP)

Through this facility, the investor receives a pre-determined amount on a periodic basis from the invested scheme. Investors who need regular income, like retirees, often go for this option. The payments are usually given from the scheme's dividend income or capital gain distribution.

### Actively Managed Funds

Provide the fund manager the flexibility to choose the investment portfolio, within the broad parameters of the investment objective of the scheme.

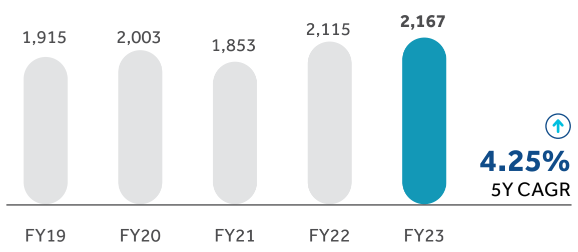
### Passive Funds

Invest on the basis of a specified index; whose performance it seeks to track.

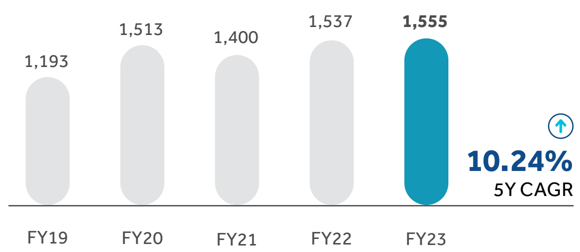
## Key Performance Indicators

# Profitable growth

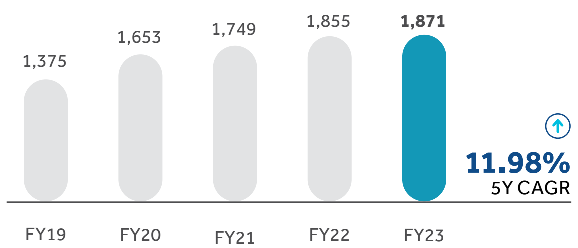
### Revenue from Operations
(₹ in Crore)



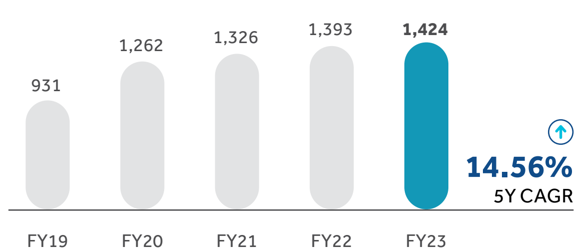

### Operating Profit
(₹ in Crore)



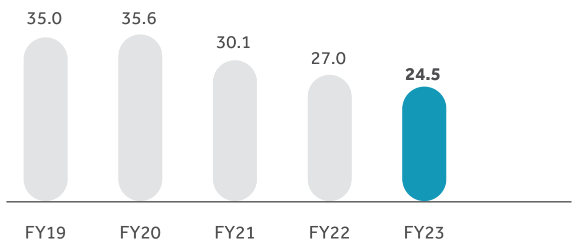

### Profit Before Tax
(₹ in Crore)



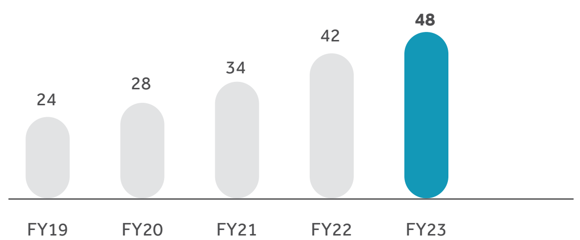

### Profit After Tax
(₹ in Crore)




### Return on Equity
(%)

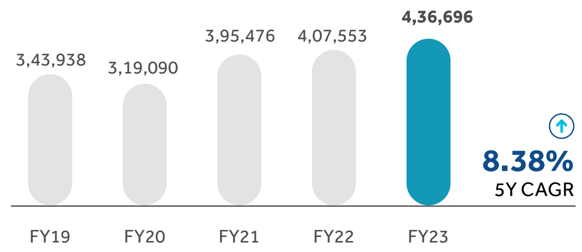



### Dividend Per Share
(₹)

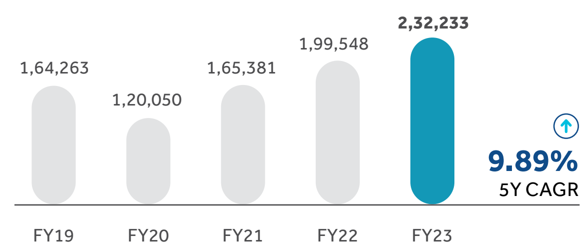



**Note:**
1. **FY 17-18 has been taken as the base year for CAGR calculation. Revenue from operations, operating profit, profit before tax and profit after tax in FY 17-18 were ₹1,760 Crore, ₹955 Crore, ₹1,063 Crore and ₹722 Crore respectively.**
2. **The details for FY 17-18 considered here, are as reported in the financial statements of that year which were under earlier applicable accounting standards.**
3. Dividend for FY 22-23 is recommended by the Board of Directors on April 25, 2023 which is subject to shareholders' approval at the ensuing Annual General Meeting.

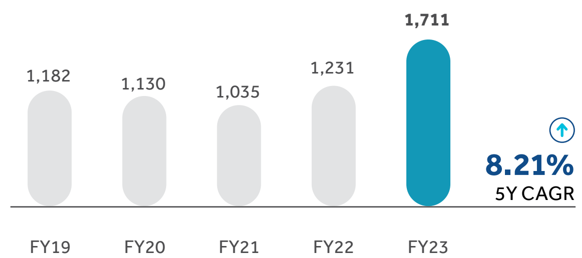
### Assets Under Management
(₹ in Crore)



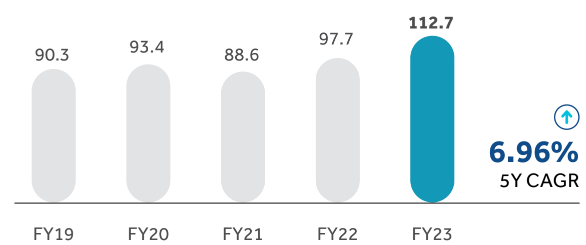

### Active Equity AUM
(₹ in Crore)



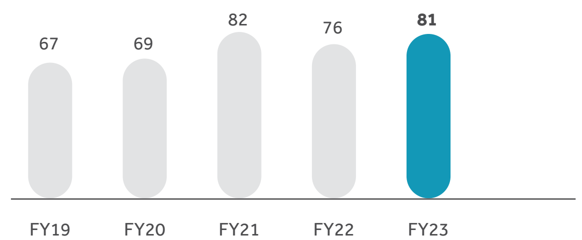

### Systematic Transactions
(₹ in Crore)



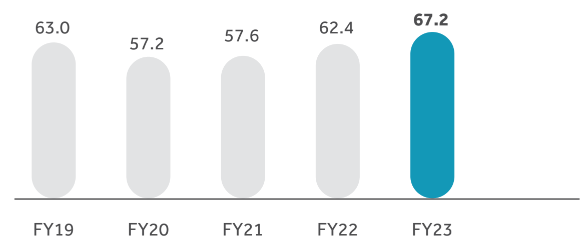

### Live Individual Accounts
(Lakh)




### Digital Transactions as % of Total
(%)




### Individual's Share in AUM
(% of monthly average AUM)




**Note:**
1. All data is as of March for each year, unless stated otherwise.
2. **March 2018 has been taken as the base for CAGR calculation. Assets under management and actively managed equity-oriented AUM in March 2017 were ₹2,91,985 Crore and ₹1,44,925 Crore, respectively.**
3. Assets under management (AUM) refers to month-end closing AUM.
4. Actively managed equity-oriented AUM includes all solution oriented schemes/portfolios and excludes index funds and ETFs.
5. Systematic transactions are for the month of March for respective financial years

Chairman's Message

Mutual Funds are on a strong footing and we have plenty of reason to believe that the trust in products and services offered by the industry will enable further growth in the coming years.

Deepak S. Parekh
Chairman

# Sustained wealth creation for a new India

**Dear Shareholders,**

It is my pleasure to present to you the annual report of HDFC Asset Management Company Limited for FY 22-23.

I would like to take this opportunity to convey my optimism on the future of India. The country is now driven by aspirations to become a developed nation by the centenary of its independence in 2047. This vision includes a technology-driven and knowledge-based economy, with strong public finances and a robust financial sector.

India's key priorities, as outlined in the Union Budget for FY 23-24 focuses on Inclusive Development, Reaching the Last Mile, Infrastructure and Investment, Unleashing the Potential, Green Growth, Youth Power and the Financial Sector.

I am confident that India will achieve its true potential and emerge as a preferred global leader in many areas. We, at HDFC AMC, are proud to participate in this journey. Our products and services will contribute towards overall economic growth and enable increased financial savings. By focusing on inclusion, we want to help millions achieve their financial goals.

## India resilient amidst global uncertainties

FY 22-23 was a volatile year for the global economy and the capital markets. While the world was still reeling from the economic impact of the pandemic, it was met with heightened geopolitical tensions. This was followed by unprecedented inflationary pressures and subsequent rate hikes by most central banks to rein in inflation. The US Federal Reserve raised its policy rates by 475 bps between March 2022 to March 2023, after holding rates at near 0% for a record period. The Bank of England raised rates by 4.15%. The People's Bank of China, in a departure from major central banks, adopted an accommodative stance owing to a slowdown in the growth momentum. With higher interest rates, inflation began to gradually ease, but remained elevated. Further bouts of uncertainty arose with the eruption of the banking crises in certain segments in US and Europe. With global macro-economic headwinds, FY 22-23 turned out to be a turbulent year for global equity markets.

Yet, the Indian financial environment remained resilient and the second advance estimates released by the National Statistical Office placed India's real gross domestic product growth at 7.0% for FY 22-23. Growth was underpinned by strong investment activity, bolstered by the government's capex push, buoyant private consumption, the Production Linked Incentive Scheme, impetus to Micro, Small and Medium Scale Enterprises and the increased thrust on digitalisation.

## Investors continue to believe in mutual funds as a vehicle for wealth creation

In the past five years, the AUM of the Indian mutual fund industry has grown about two-fold from ₹21 Lakh Crore to around ₹40 Lakh Crore. Inflows into equity-oriented schemes continued to remain buoyant during the fiscal year on back of robust flows into Systematic Investment Plans (SIP).

Debt funds, however, witnessed net outflows for the second year in a row. The Finance Bill, 2023 proposed an amendment in the income tax laws w.e.f. April 1, 2023, where investments in Specified Debt MFs (defined as not more than 35% of its total corpus being invested in domestic equity shares) would no longer receive indexation benefits when computing long-term capital gains and would be taxed at applicable slab rates. Much as the industry would have preferred status quo on the taxation norms, the policy makers' push for the development of the debt market, coupled with inherent benefits of debt mutual funds such as liquidity, diversification and professional management will, in my opinion, continue to make debt mutual funds an attractive asset class.

The industry continued its growth streak with the total number of folios growing to 14.57 Crore as of March 31, 2023, as against 12.95 Crore in the previous year, highlighting domestic investors' confidence in the Indian growth story and in mutual funds as an effective vehicle for wealth creation. In fact, growth in the domestic investment industry has emerged as a strong bulwark against the uncertainties of Foreign Portfolio Investor flows.

## Financialisation of savings and increasing penetration to drive growth

Indian investors are increasingly adopting capital market products, leading to a gradual 'financialisation' of assets in the country. A young working population with growing income, increasing financial inclusion, digitalisation of the economy and increased awareness about capital market products like mutual funds are likely to fuel financialisation even further.

The ratio of AUM to the country's GDP is an important indicator of the industry's growth. Penetration of mutual fund assets in the US, as a percentage of country's GDP, grew from 23% in 1991 to 68% in 2001, and approximately 150% in 2021. As against this, the current mutual fund penetration in India has just crossed 16%.

Mutual funds are on a strong footing and we have plenty of reason to believe that the trust in products and services offered by the industry will enable further growth in the coming years.

## Regulator and Industry working with a growth mindset

SEBI has done a commendable job in building investor confidence over the years. Investor confidence is one of the main drivers for the growth of any investment management industry. SEBI has also played a pivotal role in promoting investor protection and market development in India while maintaining efficiency and transparency of the mutual fund industry. Due credit must be given to all other stakeholders, i.e., the government, industry body AMFI, media, distributors and all other industry players for contributing to the growth of the mutual fund industry in India.

At HDFC AMC, we endeavour to deliver growth that benefits every section of society by integrating sustainability in our decision making. I am grateful to our shareholders and customers for putting their trust in us. I would also like to thank our employees, service providers and distribution partners for their hard work, dedication and unwavering commitment.

**Deepak S. Parekh**
Chairman

## MD's Message

> We are a knowledge driven organisation - an attribute that is critical for us to excel in order to realise our vision to be the most respected asset manager in the world.

Navneet Munot
MD & CEO

# Wealth creator for an aspirational India

**Dear Shareholders,**

It is an honour and a privilege to write this note on behalf of team HDFC AMC. I am pleased to present the Annual Report for the FY 22-23. It has been a remarkable year, characterised by resilience and progress in the face of global challenges. We take pride in reflecting on our journey and sharing some key highlights of our progress with you.

### Economic landscape

This was quite an eventful year for global financial markets. The ripple effect of Ukraine-Russia conflict, which started in Feb-22, was felt across the globe in the first half of FY 22-23 as supply chain disruptions meant that inflation numbers touched uncomfortable levels. The subsequent synchronised fight against inflation by central banks around the world ended up creating volatility across various asset classes. Further, stress in segments of the US and European banking system meant that the end of the financial year was equally eventful, as the risk-off sentiment globally resulted in Gold scaling close to a record high. Amidst all this volatility, Indian equities showed remarkable resilience, owing to the strength of domestic flows and indices touched an all-time high in Dec-22. Going forward too, India continues to remain 'an oasis of hope' for the global economy, backed by a unique combination of Democracy, Demographics, Demand and Digitisation. Emphasis on structural reforms and agile execution aimed at ease of doing business, building best-in-class physical, virtual, and social infrastructure, and improvement in quality of life is paving the path for robust, sustainable, and inclusive growth. From a per capita income of ~$2,000 at present, India has a long runway to look forward to in its Amrit Kaal (2022-2047).

### Mutual fund industry

The mutual fund (MF) industry had a good year with AUM crossing the ₹40 lakh crore milestone. This accomplishment highlights the industry's robust performance, showcasing nearly a doubling of AUM over the past five years. Moreover, the industry witnessed an addition of 1.6 crore new folios during the last year, bringing the total count to an impressive 14.6 crore. The popularity of Systematic Investment Plans (SIPs) continued to soar, with flows of over ₹14,000 crore in the month of March 2023 from a new milestone of six crore SIP accounts. This surge in SIP investments demonstrates the investors' confidence in mutual funds as an effective wealth-creation tool.

The growth of the MF industry showcases its ability to adapt to evolving investor preferences and market dynamics. The industry's continuous efforts to educate and create awareness about the benefits of mutual funds have played a pivotal role in driving investor participation. As more individuals recognise the potential of mutual funds to generate wealth over the long term, the industry is poised for further growth and success in the coming years.

### Embracing the opportunities ahead

The MF industry has witnessed approximately 6x growth in AUM in each of the last two decades. As much as another 6x growth in the next decade seems hard to fathom, the advent of smartphones, digitisation and government's financial inclusion programme like Jan Dhan Yojana have brought crores of Indians into the new era of what can be termed as 'Jan-Nivesh'.

India's MF AUM to GDP ratio stands at 16%, a five-fold improvement in last 20 years, but it still lags behind the world average of 80%. Given its long-term track record, transparency, risk management and ease of transacting, India's MF AUM has good headroom to grow. With our understanding of the pulse of India's household savings culture, we aim to usher in a new era of wealth creation that harmonises with the aspirations of a new India.

We stand in alignment with the government's vision of Amrit Kaal and Saptarshi–a time for prosperity and abundance with inclusivity–and strive to play our part in bringing it to fruition through our mission 'to be a wealth creator for every Indian' and our vision 'to be the most respected asset manager in the world'. This purpose and passion is at the centre of everything we do. We believe we have the right people, processes, products, performance, partnerships and platforms to help us achieve our ambitious mission and vision. India's quest for inclusive development is translating into ever increasing contribution from small towns and big cities alike, from all segments of the nation's diverse demographics.

### Strengthening our investment offerings

During the year, we made significant advancements in strengthening our brand as investment managers. We are committed to being a comprehensive one-stop shop for all investment needs. Towards this goal, we expanded our product portfolio to align with the evolving needs of customers.

Till just about a year ago, there was a heated debate on active funds vs. passive funds. However, active funds have shown decent outperformance both in the short term and long term. The debate today is no longer about active Vs. passive, but about active AND passive. We believe that both will continue to co-exist and there is plenty of room for growth in both markets – for those who want to just meet the market and those who also want to beat the market.We have best-in-class product suite and solution stack for our clients across both active as well as passive.

We want to remain steadfastly dominant in our actively managed funds, with the aim of delivering alpha (outperformance against the index) across the board. We bolstered our active portfolio through strategic expansions and product introductions. Our Business Cycles NFO garnered an overwhelming response, with over one lakh investors subscribing to it, out of which approximately 30,000 were new investors who chose to embark on their investment journey with us. We proudly added the HDFC MNC Fund to our product suite and this addition also attracted considerable interest.

Our dedication to providing the best-in-class passive investment solutions led us to establish the **HDFCMF Index Solutions** brand, reaffirming our 20-year legacy of trustworthiness in this domain. To cater to evolving market demands, we introduced an array of new passive products, amplifying our offerings to investors.

Furthermore, we fortified our **HDFC AMC Portfolio Management Services** brand by introducing two innovative products, enabling us to better serve our clients' needs. Recognising the potential of India's private markets, we embarked on an exciting journey by launching the **HDFC Alternatives** brand. We launched our Category II AIF fund of funds (HDFC AMC Select AIF FOF) during the year and are pleased to announce its first close on March 31, 2023 with commitments adding up to ₹400 Crore. We will continue to garner further interest in this fund. Simultaneously, we set foot on the path to global outreach through the establishment of **HDFC AMC International (IFSC) Limited**. This strategic move allows better access to global institutions, opening up new markets for our products and services. At the same time, it will enable us to expand our offerings to domestic investors through investment options aligned with the Liberalised Remittance Scheme (LRS).

# MD's Message

As we reflect on the accomplishments of FY 22-23, we are energised and ready to propel ourselves towards a future of continued growth and excellence. From a diverse selection of mutual funds, including both actively managed and passive options, to portfolio management services and alternative investment opportunities, we strive to provide a holistic platform that empowers investors to make informed investment decisions.

Ethical business conduct, good governance practices and customer-centricity are core values of the HDFC Group and are deeply ingrained in our work culture at HDFC AMC. We take pride in our risk consciousness and high compliance standards.

## Customer-first approach

Our team remains steadfast in leaving no stone unturned when it comes to serving our clients. We not only want to deliver investment returns, but also build an inclusive ecosystem of information, knowledge and platforms. In our pursuit to transform the experience from client service to client delight, we have launched and enhanced various initiatives like eKYC, ease of SIP creation, an industry first Smart statement, ease of documentation, rapid resolution of investor queries, among others. We have also enhanced our call centre experience for investors by strengthening several processes resulting in reduced call handling while improving satisfaction. We conducted large CSAT surveys to better understand and cater to the growing needs of our distribution partners and investors. We will go above and beyond to ensure an exceptional experience for each and every client we serve.

## Strengthening distribution and reach

We have continued to expand our robust 'phygital' delivery channels. During the year, we worked closely with our distribution partners to expand our investor base even further. Our efforts span across distribution channels through frequent interactions, digital and service tie-ups, content and research support, and several other initiatives. Through our ConneKt app, we have been equipping our partners with their own digital office, including a website, digital marketing capabilities to reach out across channels and robust reporting backed by high-quality content. We also run successful campaigns for our partners based on sophisticated analytical models. Our efforts have had a visible increase in the number of active MFDs, product approvals, learning events, online engagement, and even new SIPs. We are also excited about the opportunity that the merger of HDFC Limited with HDFC Bank presents, and look forward to working closely with HDFC Bank on the distribution front and endeavour to increase our wallet share from HDFC Bank distribution channel.

**Our endeavour has been to encourage financial independence for every household, with special focus on women.**

## Harnessing the power of digital transformation

The advancement in digital technologies has a huge role to play in driving financialisation of savings. With simple and intuitive platforms and tools offering easy access to more than a billion to the world of investing. The emergence of fintech and the gamification of specialised apps is attracting a broader and younger potential investor base, especially millennials and Gen Zs. At HDFC AMC, we continue to build on our strong digital backbone to stay ahead and consolidate our market position. We have been building on our digital solutions to keep the customer at the centre of our operations. A 360-degree view of our customer journey enables us to address their varying needs and even anticipate them. We implemented a host of initiatives aimed at making HDFC AMC a leader in the digital-first world. We also expanded on our modes of transacting and payment options. We made significant advancements to the experience and user journeys on our website and mobile app, for existing investors as well as first-time investors.

We are a knowledge-driven organisation–an attribute that is critical for us to excel and realise our vision to be the most respected asset manager in the world. Additionally, we have decades of investment management history and a vast library of content for our investors and distributors. We have elevated our knowledge ecosystem with high-quality content delivered in a contextual and consumable format across our channels, and customised for various investor segments, ranging from Gen Zs to retirees. We have also significantly increased our presence on social media, with active engagement across all major platforms. We are increasingly using the power of data and analytics to better understand the needs of existing investors and the industry. Of course, looking at developments like the rise of Blockchain technology, Web3, and now regenerative AI, we have a long way to go.

## Commitments for a sustainable future

As we strive towards generating prosperity for a new India, we are mindful of our ESG mission, taking responsibility for our actions and their impact on society and environment. We are guided by 'creating sustainable wealth for every stakeholder by focusing on People, Planet and Prosperity'. In the year gone by, we have taken various measures to reaffirm our fiduciary duty to investors and the community at large, contribute towards a greener planet, and engender social inclusion and prosperity wherever we can. As a responsible investor, we became signatory to the internationally recognised United Nations-Supported Principles for Responsible Investment (UNPRI). It empowers us to publicly demonstrate our commitment to including environmental, social and governance (ESG) factors in investment decision making and ownership. High ethical standards and serving clients with professional excellence reflect the HDFC group's core business values. Our adoption of the CFA Asset manager Code of Professional Conduct, along with several such initiatives, is a reflection and reinforcement of this ethos and value system.

Environment, education, healthcare and sports are our stated priorities for CSR and we are actively involved in many initiatives like #CancerCare and biodiversity park to name a few. With our legacy of investment knowledge and expertise, it is not only our business plan but our duty to bring financial literacy and financial independence to the masses.

Our endeavour has been to encourage financial independence for every household, with a special focus on women, and for that we have introduced campaigns like '#BarniSeAzadi'. Our mega-investor awareness campaign, 'Zindagi Ke Liye SIP', a first-of-its-kind 360-degree outreach, resonated well with audiences far and wide. We launched Investverse–a unique initiative to empower the next generation of investors with high-quality knowledge about the world of investing, delivered through our gamified learning app, MFBytes, in collaboration with NSE.

## Continuing our relentless pursuit of profitability with scale and quality

Building upon our upward trajectory, we continued to advance steadily throughout the FY 22-23, reaching significant milestones along the way. With AUM of ₹4.37 Lakh Crore, we proudly served a customer base of 66 Lakh unique individuals, with a total of 114 Lakh live accounts. Our quarterly average AUM asset mix composition, with 54% in equity-oriented funds and 46% in non-equity-oriented funds, remains favourably positioned compared to the industry's distribution of 49% and 51%, respectively.

Furthermore, we take pride in achieving yet another year of growth and profitability. Our total income grew to ₹2,483 Crore, while our Profit After Tax (PAT) was at ₹1,424 Crore. These achievements reflect our commitment to delivering sustainable growth and creating value for our stakeholders

## Looking ahead

We sincerely appreciate the trust and confidence all our stakeholders have placed in HDFC AMC. While uncertainties and challenges persist, we believe that India's long-term growth story remains intact. We are well-positioned to capitalise on the immense growth potential of the asset management industry in India by investing in the future. We would like to thank our customers for their trust and confidence in products and solutions. We express our heartfelt appreciation to our valued distribution partners, reliable service providers and our exceptional team for their unwavering commitment and dedication. We would like to convey our deep appreciation to SEBI for their invaluable guidance and support, and to our industry body AMFI for their relentless efforts in fostering the growth of the industry.

**Navneet Munot**
MD & CEO

## Digitisation

# Augmenting experience, improving efficiency

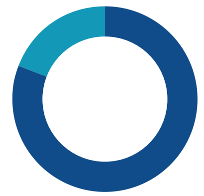
Our strong digital presence is supported by an integrated online platform. The digital framework includes separate solutions for our partners and customers. Powered by advanced analytics and next-generation digital technologies, our platforms deliver a superior user experience to our customers, distributors as well as employees.

### Electronic and physical transactions

**FY 19-20** (%)

| | |
|---|---|
| Electronic | 69 |
| Physical | 31 |

**FY 22-23** (%)



| | |
|---|---|
| Electronic | 81 |
| Physical | 19 |

**~1.7mn +**
MFOnline users

**~50%**
New investors via MFOnline

**96%+**
MFD empanelment online

**41%**
Growth in Connekt user base

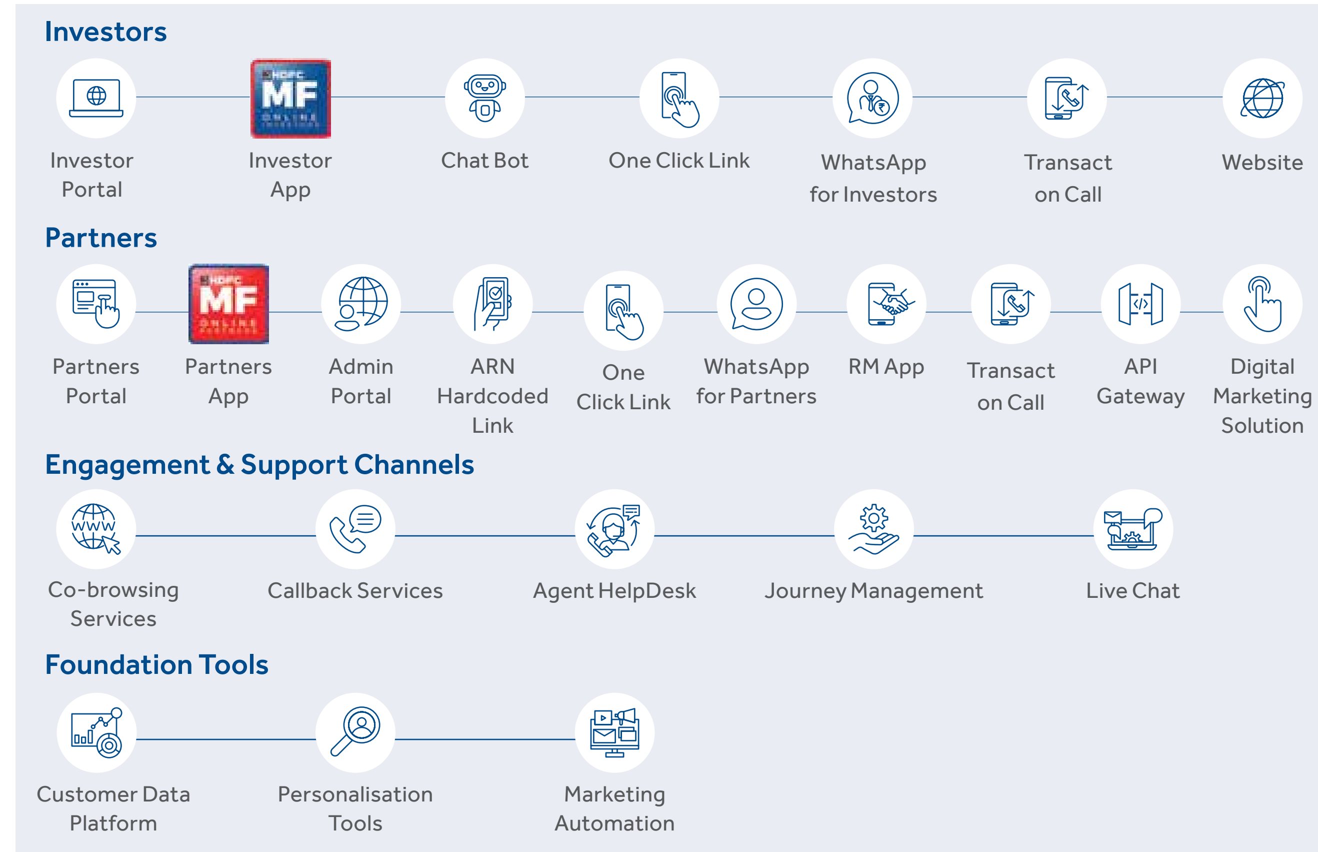
**Way forward:**

1. Enhance investor experience by building more meaningful engagement across all our digital channels
2. Power our partners to scale their business potential
3. Extending AI capabilities across the board from user facing to development to internal processes





### Tech stack




### Key initiatives during FY 22-23

We have taken various measures in the year to strengthen our digital platforms to support the scale of our mission.

1. Introduced custom OneClick for Partners, Investors and Employees. Additionally, we launched variety of experience enhancing services like eKYC, biometrics, multiple payment gateways, etc. to prioritise journey of new investor and simplify onboarding process.
2. Refreshed website design and experience through thoughtful user journey.
3. New Investor App launched with a new design, experience and added features. The app now has an improved dashboard for investors to better view their Asset Overview, Investment Baskets, Risk Profiling and Goal Planning.
4. Started WhatsApp notifications for digital transactions done by our investors. We will continue to expand our interaction with clients on the popular messaging app, making it easier for our investors to receive account updates.
5. Implemented and added personalisation capabilities with Adobe Target
6. Improved engagement and lead generation across Digital Assets. A combination of user journey interventions and optimisations.
7. The HDFCMF ConneKt app is made available even for MFD aspirants, with a fully featured NISM training module and preparatory quizzes. This will not only help expand our distribution network, but also bring fresh minds into our industry and to the countless unserved/underserved investors over time, that too with a 'Digital First' approach.
8. Built a foundation layer for our analytics programme. We continue to see year-on-year higher conversions on our analytics-based campaigns.

We aim to use technology to our advantage to make our industry, and especially our organisation, future-ready for scale. This also enables us to play our role in helping India meet its goal of becoming a paperless economy.

## Marketing Initiatives

# Reaching people

FY 22-23 saw a multi-fold expansion in the marketing footprint of HDFC Mutual Fund, achieved by creating awareness and educating investors about the various nuances of investing. We continued our outreach through our '#BarniSeAzadi' campaign for the second year. The year marked the launch of 25 New Fund Offerings to provide a complete bouquet of offerings to meet the diverse requirements of the investing community.

### #AbSirfBachatKyun: An Investor Awareness Campaign on ELSS Mutual Funds

We launched our Investor Awareness Campaign–#AbSirfBachatKyun around ELSS Mutual Funds. The campaign highlighted the two key aspects of these funds: the growth potential of investing in equity, and the three-year lock-in period. The campaign was promoted across digital and social media.


### #WhyPauseYourDreams: HDFC TaxSaver

The product-led campaign #WhyPauseYourDreams highlighted that your dreams do not need to take a break if make the right investments. This concept was integrated seamlessly with our product, the HDFC TaxSaver. The campaign was promoted on digital and social media.

### 11 Years of Cancer Care

To mark Cancer Day, we released a film to show our gratitude to those involved in the selfless cause of cancer care

Watch here: https://www.youtube.com/watch?v=GODuxmoQbd8

### Republic Day

To mark the 74th Republic Day, we celebrated the growth of our country through a film, *Yeh Growth Hai Mutual*. The film showcased how investing in mutual funds helps companies grow, which in turn helps the nation grow. Through mutual funds, you can grow your wealth and also contribute to building the nation.

Watch here: https://www.youtube.com/watch?v=Pw34ZfWF0t0

### International Women's Day

On the occasion of International Women's Day, we released a film title *Break the Bias*. The film was shot in the form of a social experiment that highlighted the subconscious biases in people's minds when it comes to women in finance.

Watch here: https://www.youtube.com/watch?v=iHocMzhN3FE

### Person of the Year 2022

At the beginning of the calendar year, we released 'The Person of the Year 2022' an article by Mr. Navneet Munot, which was an interesting look at the year gone by.

# Marketing Initiatives

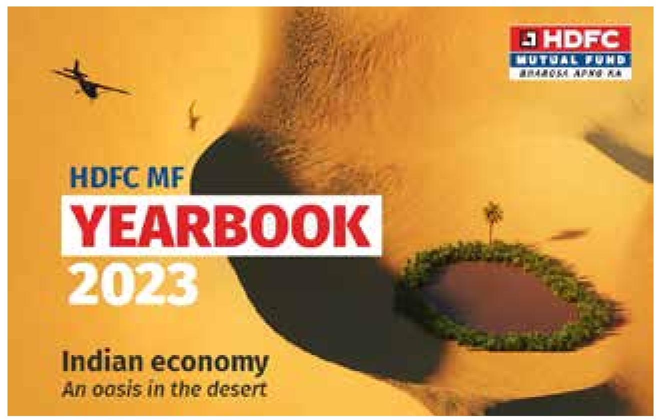
## Investverse – An Investor Awareness Podcast

As a part of our investor awareness initiative, we launched a podcast 'Investverse,' in collaboration with a major player in the podcast space. The podcast educated listeners on the various facets of mutual funds and aimed to inspire them to start their own investment journeys.


## HDFC MF Yearbook 2023

The 2023 yearbook titled 'Indian economy: An oasis in the desert' covers our views on:

- The Year Gone By
- Global Economy
- Key Emerging Trends
- Indian Economy
- Equity Markets and Sector Overview
- Fixed Income Markets




## FY2023 NFO Launches

- HDFC Business Cycle Fund
- HDFC MNC Fund
- HDFC NIFTY 100 ETF
- HDFC NIFTY Next 50 ETF
- HDFC NIFTY50 Value 20 ETF
- HDFC NIFTY100 Quality 30 ETF
- HDFC NIFTY Growth Sectors 15 ETF
- HDFC Nifty100 Low Volatility 30 ETF
- HDFC NIFTY200 Momentum 30 ETF
- HDFC NIFTY IT ETF
- HDFC NIFTY Private Bank ETF
- HDFC NIFTY Midcap 150 ETF
- HDFC NIFTY Smallcap 250 ETF
- HDFC S&P BSE 500 ETF
- HDFC Silver ETF
- HDFC Silver ETF Fund of Fund
- HDFC Long Duration Debt Fund
- HDFC NIFTY G-Sec Dec 2026 Index Fund
- HDFC NIFTY G-Sec Jul 2031 Index Fund
- HDFC NIFTY G-Sec Jun 2027 Index Fund
- HDFC NIFTY G-Sec Sep 2032 Index Fund
- HDFC NIFTY G-Sec Apr 2029 Index Fund
- HDFC NIFTY G-Sec Jun 2036 Index Fund
- HDFC NIFTY SDL Plus G-Sec Jun 2027 40:60 Index Fund
- HDFC NIFTY SDL Oct 2026 Index Fund





## #BarniSeAzadi

In FY 2021-22, to commemorate India's 75th Independence Day, we launched a mega investor education campaign, titled #BarniSeAzadi. This campaign was specially curated for women and highlighted social stereotypes we have long been conditioned to accept. In quite a few families, even today, women do not have a significant say in matters pertaining to personal finance and investments.

Looking at the great response we received, we continued our campaign in FY 22-23 as well. We released a film on digital media celebrating the progress made in the year. We also conducted a series of events across the country to raise financial awareness among women.

## #NurtureNature 2.0

On the occasion of World Environment Day, we continued our #NurtureNature campaign that was launched last year. A socially responsible campaign, #NurtureNature also advances our sustainability ambition and environmental stewardship. We planted a tree on behalf of each investor who registered an SIP digitally. The initiative received an overwhelming response, and we planted over 18,000 trees. Additionally, our branch sales team along with Mutual Fund Distributors undertook plantation activities at various locations across the country.


## ESG Initiatives

# Wealth creation for shared prosperity

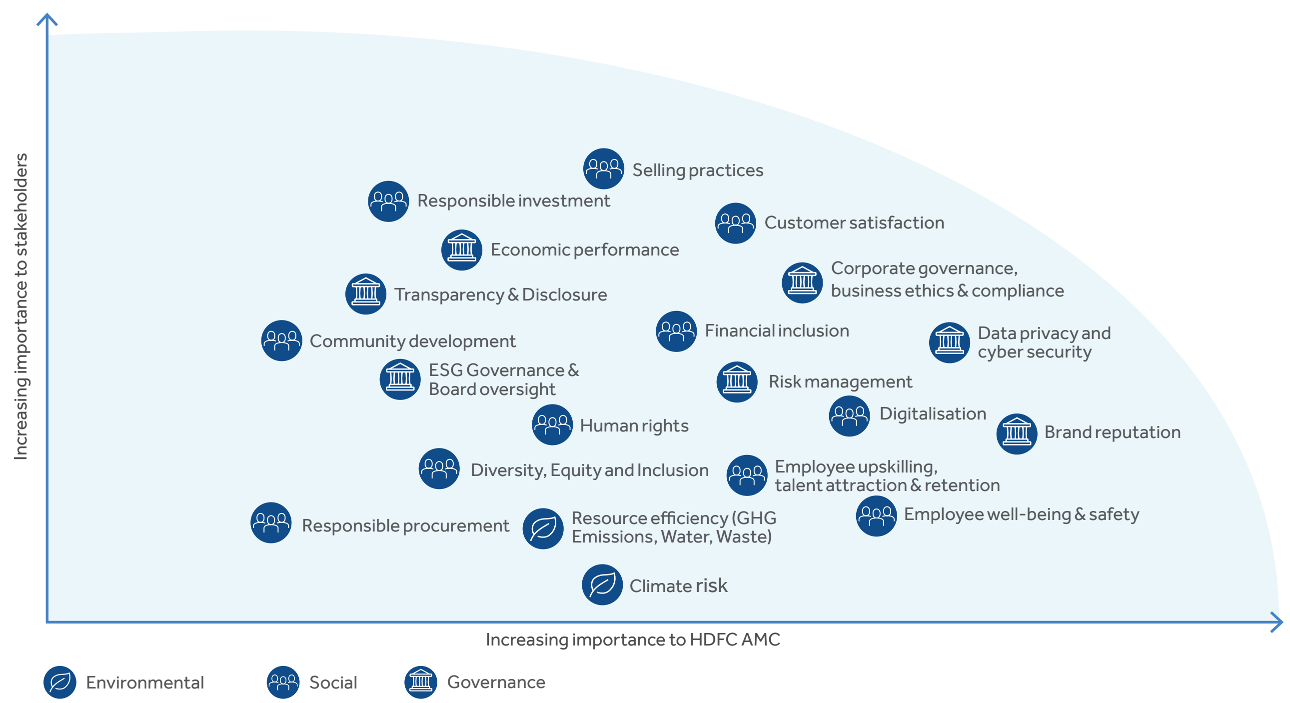
HDFC AMC upholds a strong commitment to ethical conduct and good corporate governance–facets that are deeply ingrained in the Group's ethos. At HDFC AMC, we are in complete alignment with these values and collaborate with our stakeholders to embed ESG principles into our business practices.

In FY 22-23, we took a crucial step in our ESG journey. We conducted a materiality assessment exercise to identify some of the most important ESG topics that could impact our business, the communities we operate in and the environment. By formally assessing these topics, we aim to analyse the most significant sustainability risks and opportunities facing our business. The analysis helps us allocate resources and direct efforts where we can create long-term value to our stakeholders.

Our approach to determination of material topics was designed using existing global guidelines, related thought leadership, and reviews of best practices of leading companies.

We will continue to revisit this assessment periodically to ensure that our ESG strategy, business goals and reporting are always aligned with stakeholder concerns and expectations, as well as with the emerging topics in the asset management industry. By working together, we aim to create a positive impact on society and the environment, while fulfilling our responsibilities as one of the leading asset managers of the country.

### ESG Materiality Map




We believe that achieving sustainability goals is essential for creating value for all stakeholders. This is reflected in our ESG mission: 'To create sustainable wealth for every stakeholder by focusing on three Ps –People, Planet & Prosperity'.

> **We are trustees of people's money. As asset managers we have a fiduciary duty to prioritise the interests of investors and the larger community. This duty is best fulfilled by focusing on long-term returns and managing risks, rather than solely seeking to maximise short-term profits.**
>
> **Navneet Munot**
> MD & CEO

Our ESG and CSR Committee (formerly CSR Committee) drive the development and implementation of our ESG framework.


### Responsible investing

We have demonstrated our commitment to include Environmental, Social and Governance (ESG) factors in investment decision making and ownership by becoming a signatory to the internationally recognised United Nations-Supported Principles for Responsible Investment. We have also adopted the globally recognised CFA Institute Asset Manager Code of Professional Conduct. For responsible investing, we have furthered the definition of ESG to include Engagement, Stewardship, and 'Good to Great' factors.

**Engagement:** We engage with companies regularly to share our views on a variety of issues, including executive compensation, dividend distribution policies, capital allocation, and related party transactions. We also engage with investee companies to focus on environmental sustainability.

**Stewardship:** We have adopted the stewardship code, in line with regulatory guidance. We view stewardship as a step towards improved corporate governance in the investee companies and improving the interests of investors. Our investment team aims to vote in an informed and pragmatic manner, as we consider shareholder voting to be an important shareholder right and a valuable tool for decision making.

**Good to Great:** We focus on rational investing by identifying businesses that have the potential to achieve 'Good to Great' corporate transformations and aspire to play the role of an active partner in this journey through highly constructive Engagement and Stewardship.

There is one common thread that binds all of our funds, and it is their longevity and formula for wealth creation: 'Sound Investment + Time + Patience'.

# ESG Initiatives

## Environment

### Planet: A key stakeholder

We recognise that climate change is not just an environmental issue but also a business risk. At HDFC AMC, we intend to continue identifying and acting on opportunities to reduce our negative impact on the environment and promote a culture of sustainability.

**650+ kg**
E-waste processed in an environment friendly manner

**81%**
Transactions are supported by integrated online platform

**59,000 sq. ft.**
Of biodiversity park developed at Mumbai University, Kalina Campus, under our CSR initiative

**#NurtureNature**
Launched on the occasion of World Environment Day, a tree was planted for every online SIP in equity-oriented and Gold schemes registered for a specific tenure





## Social

We value the presence we have across length and breadth of the country. This bonding has helped us foster an enduring relationship with all our key stakeholders: Customers, shareholders, distributors, employees, suppliers and the community at large.

### Our employees

Our dedicated and talented workforce are not just shaping our rich legacy but are also building a brand that speaks to generations. We empower our people to better serve customers, while providing a dynamic workplace that celebrates meritocracy and promotes transparency and fairness.

**1,281**
Employees

**28%**
Women employees

**29,000+**
Employee training man-hours

**~ 1,200**
Employees attended ESG training conducted by the CFA institute

### Our customers

Customer-centricity is at the heart of everything we do. We believe in constantly raising the bar, all the way from customer service to customer delight. Putting our customers' interests first is a building block for this model. Our excellence in servicing our customers reflects our core beliefs. We deeply value our customer's trust. **Bharosa Apno Ka**.

- Improving access: We reduced the minimum subscription amount for digital SIPs and lumpsum transactions to ₹100
- We launched multilingual and personalisation features to communicate better with our clients.
- We introduced Smart Statement to give clients a better seamless experience.
- We provide a comprehensive set of platforms for the customers to transact through our MFOnline mobile offering, ChatBot, WhatsApp and Phone Calls.

**66 Lakh**
Unique investors

**1.1 Crore**
Live accounts

# ESG Initiatives

## Improving financial literacy

Financial literacy is fundamental to our business. Importantly, we recognise that a lack of financial literacy prevents people from realising and pursuing their dreams. Our investment experience and deep societal connections help in helping the masses to be financially literate. Some of our initiatives include:

**575+**
Investor Awareness Programmes under the #BarniSeAzadi campaign

**25,000+**
Students participated in our financial awareness programme through 'Investverse: An Introduction to the World of Investing', in partnership with NSE

**~2.5 Lakh**
Participants reached through our 3,289 Investor Awareness Programmes

## Inclusive growth

Our key CSR projects are in the area of healthcare, education, environment sustainability and sports development.

**2,70,000+**
Children and 9,000+ teachers provided access to foundational learning

**3,000+**
Cancer patients provided with financial aid for treatment

**100**
Flats furnished for Cancer patients undergoing treatment at Tata Memorial Hospital

**6,000+**
Children given access to nutritious meals and quality education





# Governance

## Ethics, transparency, accountability

Ethics is central to our corporate ethos and drives our corporate governance philosophy. Governance includes not just workplace ethics, disclosures and regulatory compliance, but it also includes our environmental and societal obligations.

- Our ESG and CSR Committee of the Board provides guidance, leadership and necessary oversight for ESG initiatives undertaken by our Company.
- Organised six ethics workshops for employees in partnership with CFA Institute.
- Our information security process and controls are ISO-certified.

# Our Board of Directors

**Mr. Deepak Parekh**
Non-executive Director and Chairman

**Mr. Deepak Parekh (DIN 00009078)** has been on our Board since July 4, 2000. He is also the Non-executive Director and Chairman of one of our Promoters, Housing Development Finance Corporation Limited (HDFC) and its key subsidiaries. He is a fellow of the Institute of Chartered Accountants (England and Wales). He is on the board of several leading companies across diverse sectors. Mr. Parekh has been honoured with several awards and accolades viz. Padma Bhushan, one of the highest civilian awards by Government of India in 2006; Bundesverdienstkreuz Germany's Cross of the Order of Merit, one of the highest distinction by the Federal Republic of Germany in 2014; Knight in the Order of the Legion of Honour, one of the highest distinctions by the French Republic in 2010; first of a network of international ambassadors for championing London across the globe by the Mayor of London in 2017; first international recipient of the Outstanding Achievement Award by the Institute of Chartered Accountants in England and Wales in 2010 and Lifetime Achievement Award at CNBC TV18's 15th India Business Leader Awards, 2020.

**Mr. Keki Mistry**
Non-executive Director

**Mr. Keki Mistry (DIN 00008886)** is a Non-executive Director on the Company's Board since December 24, 2007. He is also the Vice Chairman and Chief Executive Officer of one of our Promoters, HDFC. He is a Fellow of the Institute of Chartered Accountants of India (ICAI). Mr. Mistry brings with him four decades of varied work experience in the Banking & Financial Services domain. Mr. Mistry joined the HDFC in 1981. He was appointed as an Executive Director of HDFC in 1993, as the Deputy Managing Director in 1999 and as the Managing Director in 2000. He was re-designated as the Vice Chairman and Managing Director of HDFC in October 2007 and as the Vice Chairman and Chief Executive Officer, with effect from January 1, 2010. Mr. Mistry is also the Non-Executive Chairman of HDFC ERGO General Insurance Company Limited. Some of his recent recognitions includes 'Lifetime Achievement Award' for 2020-21 at the Financial Express Best Bank Awards, 'Hall of Fame' Award by the ICAI in 2022 for Exemplary Contribution and Professional Excellence, 'Lifetime Achievement Award for Corporate Governance' for 2020 by the Asian Centre for Corporate Governance & Sustainability, and 'CEO of the Year' under BFSI Category at CNBC Awaaz CEO Awards 2019. He is currently a Member of Primary Markets Advisory Committee set up by the Securities and Exchange Board of India (SEBI). He is the Chairman of the Sub-Group constituted by SEBI to 'Review the Reverse Book Building Process and Review the Compulsory Delisting Framework adopted by Stock Exchanges.' Mr. Mistry was also the Chairman of the Sub-Group constituted by SEBI to 'Review the SEBI Buyback Regulations.' He was a Member on the Committee of Corporate Governance set up by the SEBI in 2017. Mr. Mistry was the Chairman of the CII National Council of Corporate Governance for five years (2016-17 to 2017-18 and from 2019-20 to 2021-22). He was also a Member of the CII Economic Affairs Council for 2021-22.





**Ms. Renu Sud Karnad**
Non-executive Director

**Ms. Renu Sud Karnad (DIN 00008064)** is a Non-executive Director on HDFC Asset Management Company Limited's Board. Ms. Karnad has been on the Company's board since July 4, 2000 and is also the Managing Director of one of our promoters, Housing Development Finance Corporation Limited (HDFC) with effect from January 1, 2010. Ms. Karnad holds a Bachelor's degree in Law from the University of Mumbai and a Master's degree in Economics from the University of Delhi. Ms. Karnad is also a Parvin Fellow at the Woodrow Wilson School of Public and International Affairs, Princeton University, USA. Some of her recent recognitions includes, the 'Outstanding Woman Business Leader' by CNBC-TV18, being part of the 25 Most Influential Women Professionals in India by India Today Magazine, being featured amongst the list of '25 top non-banking women in finance' by U.S. Banker magazine, Wall Street Journal Asia adjudged her among the 'Top Ten Powerful Women to Watch Out for in Asia'. Currently, Ms. Karnad serves as the President of the International Union for Housing Finance (IUHF), an association of global housing finance firms.

**Ms. Roshni Nadar Malhotra**
Independent Director

**Ms. Roshni Nadar Malhotra (DIN 02346621)** is an Independent Director on the Board with effect from April 27, 2019. She is the Chairperson of HCLTech, a leading global technology company with revenue of $12.3+ billion and 220,000+ employees across 60 countries. She is responsible for providing strategic direction and leadership to the company. Ms. Malhotra is also the Chairperson of HCLTech's CSR Board Committee. As part of this role, she is responsible for guiding and overseeing the Company's CSR initiatives and ensuring that they align with the Company's values and business objectives. She is also the Trustee of the Shiv Nadar Foundation, which is committed to the process of nation building by driving transformational leadership through education. She is the Chairperson and driving force behind VidyaGyan, a leadership academy for the meritorious but economically underprivileged, rural students of Uttar Pradesh. She is also the Founder & Trustee of the Habitats Trust, a foundation working towards protecting habitats and their indigenous species. Passionate about wildlife and nature, she founded the Trust with the mission of creating and conserving sustainable ecosystems through strategic partnerships and collaborations with all stakeholders. Ms. Malhotra is a member of the Dean's Advisory Council at the MIT School of Engineering, USA and a member of the Kellogg School of Management Executive Board for Asia. She serves on the board of directors of US-India Strategic Partnership Forum (USISPF). In recognition of her outstanding work both in business and in philanthropy, Ms. Malhotra has received several honors and accolades including being featured for the sixth consecutive year in 'The World's 100 Most Powerful Women' list, compiled and released by Forbes in 2022. She is an alumnus of the Forum of Young Global Leaders (YGL), a unique and diverse community of the world's most outstanding, next-generation leaders, an initiative of the World Economic Forum. Ms. Malhotra holds an MBA from the Kellogg Graduate School of Management with a focus on Social Enterprise and Management and Strategy.

# Our Board of Directors

**Mr. Dhruv Kaji**
Independent Director

**Mr. Dhruv Kaji (DIN 00192559)** is an Independent Director on the Company's Board, since October 31, 2018. Mr. Kaji holds a Bachelor's degree in commerce from the University of Mumbai and is an Associate Member of the Institute of Chartered Accountants of India. He was the Finance Director of Raymond Limited, Executive Director of Pinesworth Holdings Pte. Ltd. (Singapore) and a Director on the Boards of Raymond Apparel Limited, Colorplus Fashions Limited, Hindustan Oil Exploration Company Limited, Balaji Telefilms Limited, Balaji Motion Pictures Limited and Diamines & Chemicals Limited. He is currently an advisor, guiding business strategies and organisational development, both in India and abroad. He is also a Director on the Board of TV 18 Broadcast Limited, Network 18 Media & Investments Limited and Ceinsys Tech Limited.

**Mr. Parag Shah**
Independent Director

**Mr. Parag Shah (DIN 00374944)** is an Independent Director on the Company's Board with effect from January 22, 2019. Mr. Parag Shah is Head, Mahindra Accelo and a member of the Group Executive Board of the Mahindra Group. In a career spanning over 22 years, Parag has held various positions with the Mahindra Group and is a Director on several Group companies. He has extensive experience in building new businesses, startups, turn arounds, joint ventures, and mergers & acquisitions. He is a member of the Group Sustainability Council. He is the Group lead for business representation in Israel. Mahindra Accelo group of companies comprises of one of India's largest independent supply networks for Automotive steel & components along with one of world's largest supply networks for Electrical steel. Accelo also supplies value added products like motors and motor cores to Consumer Durables and Electric Vehicle industries. The company has recently forayed into Recycling under the brand name Cero and has India's largest automotive recycling network. Prior to his current assignment, Parag was the Managing Partner of Mahindra Partners, the 1 Bn USD Private Equity and Venture Capital division of the Group which was responsible for incubation, turnaround and investments in several sectors like Cleantech, Retail, Boat Manufacturing, Consulting, Media, Healthcare, Conveyor Systems, AI & Analytics. Parag holds a BS Degree in Computer Engineering from the Illinois Institute of Technology with special electives in Psychology and Manufacturing Technology. He is also a graduate of the General Management Program from Harvard Business School. Parag has been recognised by Economic Times & Spencer Stuart as India's Top 40 Business Leaders under the age of 40. He was also featured by India Today as 'Leaders of Tomorrow' in their anniversary issue. Parag has been an Executive Committee Member of the CII National Committee on Private Equity and Venture Capital, FICCI Solar Energy Task Force, CII National Committee on Renewable Energy, American Alumni Association in addition to other external associations. He is also an angel investor & is on the advisory board of Trustees of the IndUS Entrepreneurs, Mumbai (TiE). Parag is affiliated with various NGO associations such as Sabarkanta Relief Committee and S&G Charitable Trust. He has also been a Founder Director of "Executives Without Borders", an NGO based in USA.

**Mr. Jairaj Purandare**
Independent Director

**Mr. Jairaj Purandare (DIN 00159886)** is an Independent Director on the Company's Board with effect from October 31, 2018. He is the Founder Chairman of JMP Advisors Pvt. Ltd., a leading advisory, tax and regulatory services firm, based in Mumbai, India. He has more than three and half decades of experience in tax and business advisory matters and is an authority on tax and regulation. He was Regional Managing Partner, Chairman – Tax and Country Leader - Markets & Industries of Pricewaterhouse Coopers, India. He was earlier Chairman of Ernst & Young India (EY). He was the Country Head of the Tax & Business Advisory practice of Andersen India, before joining EY. He has considerable experience across the Financial Services, Infrastructure, Power, Telecom, Media, Pharma and Auto sectors. International Tax Review (Euromoney), in its report - World's Leading Tax Advisors, has named him several times as amongst the leading Tax Advisors in India. A frequent speaker at seminars in India and abroad, he has presented several papers in areas of his expertise, including inbound/outbound investment structuring, international tax, transfer pricing, M&As, Indian Budget and Economy. He is an Independent Director on the Board of one other company. He is a Fellow member of the Institute of Chartered Accountants of India and holds a degree of Bachelor of Science (Hons) from University of Mumbai.

**Mr. Sanjay Bhandarkar**
Independent Director

**Mr. Sanjay Bhandarkar (DIN 01260274)** is an Independent Director on the Company's Board with effect from October 31, 2018. He has over three decades of corporate finance, advisory and investment banking experience in the country. He is also currently an independent non-executive director on the boards of other listed companies, viz. Tata Power Company Limited and Chemplast Sanmar Limited and also on the board of other unlisted companies, viz. Tata Projects Limited and National Investment and Infrastructure Fund Limited, on the latter as a shareholder nominee. Mr. Bhandarkar is on the Investment Committee of a SEBI registered seed capital fund called Contrarian Vriddhi as an external IC member. The fund has fully invested its corpus. He is also on the Investment Committee of the US$ 170m South Asia Growth Fund II of GEF Capital Partners as an external IC member. He is on the advisory board of 1Crowd, a seed capital stage online investing platform which has also raised a SEBI approved fund for seed stage investing. Mr. Bhandarkar started his career with ICICI in 1990 and ISec, the joint venture between ICICI and JP Morgan, and then spent two years with Peregrine Capital. He was part of the founding team of Rothschild India in 1998 and played a key role in establishing Rothschild as a well-recognised and respected pure play advisory investment banking firm in India. He led the Rothschild India business from December 2005 to June 2016 when he stepped down from his full-time role. Mr. Bhandarkar's focus at Rothschild was on M&A as well as equity capital market advisory for Indian and international companies. He led the teams that worked closely with the Government of India on the 3G and BWA spectrum auctions, the first e-auctions done in India, and on the restructuring of the Enron and GE owned Dabhol power project, one of the largest and most complex restructurings to date. Mr. Bhandarkar did his MBA from XLRI, Jamshedpur in 1990.

## Our Board of Directors

**Mr. Navneet Munot**
Managing Director &
Chief Executive Officer

**Mr. Navneet Munot (DIN 05247228)** is the Managing Director & Chief Executive Officer of the Company since February 16, 2021. He has 29 years of rich experience in Financial Markets. Prior to joining the Company, he was the Executive Director and Chief Investment Officer of SBI Funds Management Private Limited. He was a key member of the Executive Committee and was responsible for overseeing investments of over $150 billion across various asset classes in mutual funds and segregated accounts. He was also on the Board of SBI Pension Funds Private Limited. In his previous assignments, he was the Executive Director and Head - Multi-strategy boutique with Morgan Stanley Investment Management and Chief Investment Officer – Fixed Income and hybrid funds at Birla Sunlife Mutual Fund. Mr. Munot has a Master's degree in Accountancy and Business Statistics and is a qualified Chartered Accountant. He is also a charter holder of CFA and CAIA Institute(s) and holds a Financial Risk Management (FRM) certification.





# Our Leadership Team

Our leadership team has established a culture of accountability, transparency, and innovation, driving the organisation towards unparalleled track record of execution across different business cycles. They have played a key role in building trust and credibility with stakeholders by implementing solid corporate governance practices and operating with integrity and ethical values.

**Navneet Munot**
Managing Director and
Chief Executive Officer

**Alok Sheopurkar**
Head –
Human Resources

**Amaresh Jena**
Head – Marketing &
Digital Business

**Leena Vijayvargiy**
Chief Risk Officer

**Mudeita Patrao**
Head – Digital

**Naozad Sirwalla**
Chief Financial
Officer

**Naveen Gogia**
Co-Head – Sales &
Distribution, Co-
Head – International
Business and Head –
Public Relations

**Rajiv Maniar**
Co-Head – Sales &
Distribution

**Sameer Seksaria**
Head – Corporate
Client Services

**Simal Kanuga**
Head – PMS Sales,
New Initiatives
and Product
Development, Co-
Head – International
Business and Chief
Investor Relations
Officer (AMC)

**Supriya Sapre**
Chief Compliance
Officer

**Sylvia Furtado**
Company Secretary &
Compliance Officer

**V Suresh Babu**
Head – Operations

# Our Leadership Team

## Senior Investment Team

**Chirag Setalvad**
Head – Equities

**Shobhit Mehrotra**
Head – Fixed Income

**Anand Laddha**
Fund Manager – Equities and Senior Equity Analyst

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

**Anupam Joshi**
Fund Manager – Fixed Income

**Gopal Agrawal**
Senior Fund Manager-Equity

**Rahul Baijal**
Senior Fund Manager – Equities

**Rakesh Vyas**
Fund Manager – Equities and Senior Equity Analyst

**Roshi Jain**
Senior Fund Manager – Equities

**Srinivasan Ramamurthy**
Fund Manager – Equity

**Mitul Patel**
Head – PMS Investments*

*Reports directly to MD & CEO

# Management Discussion and Analysis

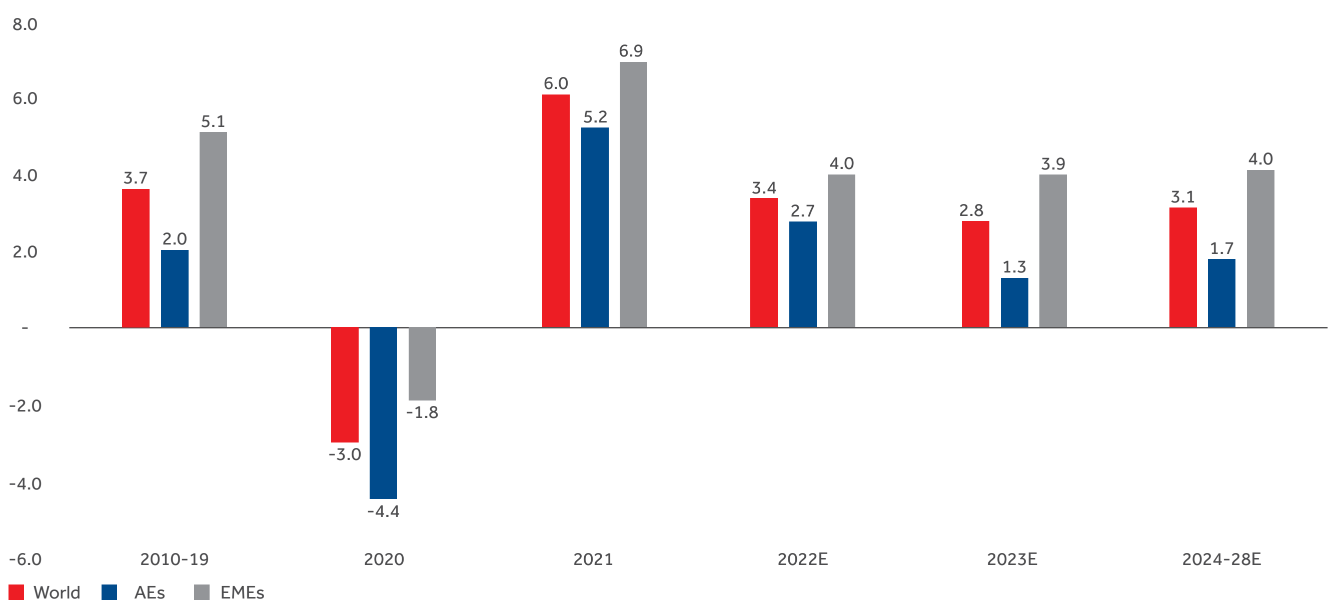
## A. Economic environment

### A.1. Global

The global economy and capital markets experienced a volatile FY 22-23. The global growth on the upside came as a surprise at the start of the year, supported by a rebound in services consumption and a lower-than-anticipated moderation in goods demand. However, broad-based inflationary pressures and sharp rise in energy prices following the outbreak of the Ukraine-Russia conflict impacted economic activity. To rein in inflation, the central banks of major economies aggressively raised policy rates and commenced quantitative tightening. Most governments also scaled back fiscal stimulus as economic activities normalised. Resilient demand, tight labour markets across major Advanced Economies (AEs), the Ukraine-Russia situation and the dynamic Zero COVID policy of China kept commodity prices and inflationary pressures elevated in the first half. However, as the year progressed, commodity prices corrected in view of a softening growth outlook, synchronised tight monetary policy response and scaling back of fiscal stimulus, thereby easing the inflation momentum. However, resilient demand conditions kept the inflation relatively elevated.

**Global GDP growth trend**

(%)



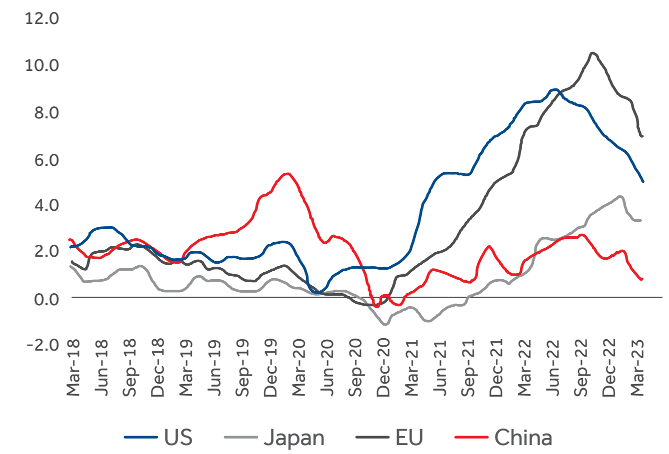

Source: International Monetary Fund (IMF) World Economic Outlook April 2023, Bloomberg; EU – Eurozone; EMEs – Emerging Market Economies





**Inflation in major economies**

(%)




Source: Bloomberg

**Global commodity prices**

Commodity prices saw a broad-based increase as a fallout of the Russia-Ukraine conflict, which intensified further due to strong growth momentum. However, accelerated monetary tightening, weakness in China's growth and expectations of a global growth slowdown led to a sharp price correction in the latter half. Most industrial commodities ended FY 22-23 lower year-on-year, and significantly below the peak witnessed during the year. Gold prices, which were range-bound for most part of the year, saw an increase in the last quarter due to a decline in the US yields, and uncertainty after the failure of a few banks in the US and Europe.

| % Change (YoY) | Price ($)* | FY 21-22 | FY 22-23 |
|---|---|---|---|
| Brent Crude (per barrel) | 79.8 | 69.8 | (26.1) |
| Gold (per ounce) | 1,969 | 13.5 | 1.6 |
| Steel (per tonne) | 655 | 9.9 | (21.6) |
| Zinc (per tonne) | 2,907 | 52.4 | (31.8) |
| Copper (per tonne) | 8,935 | 16.8 | (13.6) |
| Aluminium (per tonne) | 2,377 | 59.1 | (31.7) |
| Lead (per tonne) | 2,145 | 24.4 | (11.8) |

Source: Bloomberg. *Market prices as on March 31, 2023.

Both equity and debt markets delivered negative returns in most major economies on account of the uncertainty about the inflation trajectory, falling global liquidity, slowing growth and the growing prospects of central banks keeping interest rates higher for longer. The United States' relative robust growth and tight monetary policy, along with its safe haven status, resulted in the US dollar strengthening against most other currencies during the year.

**Key capital market developments in FY 22-23**

- Imposition of sanctions on Russia by the US, EU and allied economies in response to the Ukraine-Russia conflict; Russia reduces supply of natural gas to EU.
- Bond index providers do not include Indian sovereign debt in the global bond indices.
- UK pension funds faced turbulent times as yields rose sharply on announcement of unfunded fiscal stimulus; situation resolved as the measures were rolled back and Bank of England stepped in to calm the market.
- Organisation of Petroleum Exporting Countries (OPEC) announced production cut of two Million barrel per day (mbpd) in October 2022, and another cut of 1.2 mbpd in April 2023.
- China eases COVID-19 restrictions at a fast pace since December 2022.
- Bank of Japan (BoJ) relaxes the band of Yield Curve Control (YCC) from (+/-) 25 bps to (+/-) 50 bps with unchanged target at 0%.
- Global banking experiences turmoil, following a series of bank collapses in the US and Europe.
- In India, capital gains from the sale of debt mutual fund units to be taxed as Short Term Capital Gain (STCG); indexation benefit removed.
- Income from non-ULIP insurance policy with a aggregate premium over ₹5 Lakh p.a. made taxable as STCG.

### A.2. India

**Growth:** India's Gross Domestic Product (GDP) growth normalised in 9MFY23, owing to a broad-based, post-pandemic recovery led by private consumption and investment activity. Government consumption fell marginally (9MFY22: 4.4%) due to benign spending by both central and state governments. Resilient domestic demand and a slowdown in global trade resulted in import growth outpacing exports. On the Gross Value Added (GVA) side, agriculture continued to grow at a steady pace, while pick up in hospitality and trade services supported growth in services. Manufacturing activity decelerated sharply partly due to high base and softening trade exports, while growth in construction activities normalised.

₹ (in Crore)

| YoY Growth (%) | 9MFY22 | 9MFY23 |
|---|---|---|
| Real GDP | 11.1 | 7.7 |
| Private Consumption | 13.8 | 9.5 |
| Government Final Consumption | 4.4 | -0.9 |
| Gross Capital formation | 25.1 | 10.5 |
| Gross Fixed Capital Formation | 19.1 | 12.6 |
| Exports | 32.0 | 14.3 |
| Imports | 28.7 | 22.8 |
| GDP Growth Ex GFCE | 11.9 | 8.7 |

| YoY Growth (%) | 9MFY22 | 9MFY23 |
|---|---|---|
| Real GVA | 10.7 | 7.2 |
| Agriculture, Forestry and Fishing | 3.3 | 3.0 |
| Industry | 15.8 | 3.8 |
| Manufacturing | 15.6 | 0.4 |
| Construction | 20.0 | 10.0 |
| Services | 10.3 | 10.4 |
| Trade, Hotels, Communication, etc. | 18.0 | 16.1 |
| Core GVA (GVA ex agriculture and PADO) | 12.4 | 7.9 |

Source: CMIE. PADO – Public administration, defence and other services; GVA – Gross Value Added, GDP – Gross Domestic Product.

Going forward, India's growth is likely to be supported by resilience in private consumption along with a pick up in private capex. Government spending is likely to be directed towards capex, while growth in revenue expenditure is expected to stay benign. In view of the expected slowdown in AEs and steady domestic demand, merchandise exports could weaken more than imports, thereby acting as a drag on growth. However, services exports, which has recorded a substantial improvement in the past year (driven by robust growth in IT as well as professional, business and management consulting services), are likely to grow at a reasonable pace, thereby supporting the current account. Overall, India's growth is likely to be moderate but should continue to be better than that of most other major economies.

**External sector:** India's Current Account Deficit (CAD) widened significantly in 9MFY23 as higher oil and Non-Oil Non-Gold (NONG) imports negatively impacted trade deficit, partially offset by a significant improvement in invisible exports. Higher crude volumes due to normalisation in economic activities along with elevated oil prices pushed net oil imports higher. NONG deficit increased, primarily driven by resilient domestic demand together with higher imports of coal, engineering goods and fertilisers, as well as increased commodity prices. Invisible exports registered a strong growth, driven by an improvement in IT services and business, management and professional consulting services, along with increase in remittances. Capital flows declined on the back of lower loans (External Commercial Borrowings (ECB) and trade credit) as interest rates hardened globally. Further, the one-off receipt of Special Drawing Rights (SDRs) from the IMF (~$18 Billion) which boosted capital flows in FY 21-22 was also missing in the current year. This was partially offset by an increase in banking capital.

| India'sExternal Balance Situation ($ Billio n) | 9MFY22 | 9MFY23 |
|---|---|---|
| Trade (Deficit)/Surplus | (135.0) | (214.0) |
| Net Oil Imports | (66.4) | (94.9) |
| Net Gold Imports* | (33.2) | (28.0) |
| Trade Deficit Ex Oil and Gold (NONG) | (35.4) | (91.0) |
| **Net Invisible Exports Surplus/ (Deficit)** | **109.7** | **147.0** |
| Current Account Deficit | (25.3) | (67.0) |
| % of GDP | -1.1 | -2.7 |
| Capital Account Surplus / (Deficit) | **88.8** | **52.3** |
| FDI | 24.8 | 21.7 |
| FII | (1.6) | (3.5) |
| Deposits, External Borrowings, etc. | 10.5 | 3.6 |
| Trade Credit | 13.3 | 8.1 |
| Banking Capital | 9.4 | 20.3 |
| Others | 32.4 | 2.1 |
| **Balance of Payments** | **63.5** | **(14.7)** |

Source: CMIE. * Includes net imports of gold, silver and precious stones adjusted for gems and jewellery exports.

*FDI – Foreign Direct Investment, FII – Foreign Institutional Investor

In view of correction in commodity prices, especially coal and oil and fertilisers, trade deficit is likely to improve in the coming year. Further, cooling off in domestic demand, along with resilient services exports (including IT, tourism, professional and business management consulting services) bode well for the current account. Outlook on capital flows remain uncertain in view of ensuing global liquidity tightening. Overall, India's balance of payments is likely to improve sequentially in FY 23-24. Further, comfortable foreign exchange reserves with the RBI should keep the Indian rupee stable.

**Fiscal Deficit:** For FY 22-23, the central government remains on track to achieve the revised estimate (RE) target of 6.4% of fiscal deficit. Revenue growth remained robust, driven by buoyant direct tax and GST collections, partially offset by higher state transfers. The strong recovery in economic activities,





robust corporate profitability, stabilisation of the GST regime and improved compliance boosted tax revenues. While non-tax revenues were on course to cross the revised estimates, driven by higher-than-estimated dividend payments by Public Sector Units (PSUs), capital receipts are likely to undershoot revised estimates. Meanwhile, capital expenditure registered strong growth, given the central government's thrust on public capex-led spending to 'crowd in' private capex. Revenue expenditure increased mainly due to higher interest and subsidy outgo.

| FYTD Ending | Feb-21 | Feb-22 | Feb-23 | Change (YoY) | 2-YR CAGR | 3-YR CAGR |
|---|---|---|---|---|---|---|
| Gross Tax Revenue | 16,653 | 22,748 | 25,473 | 12.0% | 23.7% | 14.9% |
| Total Direct Tax | 7,226 | 11,077 | 12,874 | 16.2% | 33.5% | 16.9% |
| Total Indirect Tax | 9,427 | 11,671 | 12,599 | 8.0% | 15.6% | 13.1% |
| Less: Share of States and Others | 4,492 | 7,939 | 8,151 | 2.7% | 34.7% | 13.1% |
| Net Tax Collection | 12,161 | 14,809 | 17,322 | 17.0% | 19.3% | 15.8% |
| Non- Tax Revenue | 1,542 | 3,101 | 2,486 | -19.8% | 27.0% | -1.9% |
| Total Revenue Receipts | 13,703 | 17,910 | 19,808 | 10.6% | 20.2% | 12.9% |
| Total Capital Receipts | 428 | 363 | 589 | 62.4% | 17.3% | 4.9% |
| **Total Receipts** | **14,131** | **18,273** | **20,397** | **11.6%** | **20.1%** | **12.6%** |
| Total Revenue Expenditures | 24,134 | 26,587 | 29,034 | 9.2% | 9.7% | 10.3% |
| Total Capital Expenditures | 4,053 | 4,852 | 5,902 | 21.7% | 20.7% | 24.7% |
| **Total Expenditures** | **28,186** | **31,439** | **34,936** | **11.1%** | **11.3%** | **12.3%** |
| **Gross Fiscal Deficit** | **-14,055** | **-13,166** | **-14,539** | **10.4%** | **1.7%** | **11.9%** |
| **Fiscal Deficit as % of GDP** | **-7.1%** | **-5.6%** | **-5.4%** | | | |

Source: CMIE

For FY 23-24, the fiscal deficit target of 5.9% appears achievable, unless economic growth surprises significantly on the downside.

**Inflation:** In FY22-23, the **Average Consumer Price Index (CPI)** inflation increased by ~120 bps to 6.7% YoY, primarily driven by higher prices for food items such as cereals, milk, spices and vegetables. Fuel & Light inflation remained elevated as prices of LPG, firewood, kerosene, etc. continued to rise. Transportation & Communication inflation saw a decline as the government reduced taxes on auto fuels and kept their retail prices unchanged, despite higher crude oil prices. Core inflation inched higher by the pass-through of increased input costs and with robust demand. The key contributors of higher core CPI were clothing and footwear, education services, and personal care items.

| Average, YoY (%) | FY 21-22 | FY 22-23 | Change in % |
|---|---|---|---|
| CPI | 5.5 | 6.7 | 1.2 |
| Food & Beverages | 4.3 | 6.7 | 2.4 |
| Fuel & Light | 11.3 | 10.4 | -0.9 |
| Housing | 3.7 | 4.3 | 0.6 |
| Transportation & Communication | 10.1 | 5.9 | -4.2 |
| Core CPI@ | 5.7 | 6.7 | 1.0 |

Source: CMIE. @Core CPI – CPI ex. of Food and beverages, fuel and light, transportation and housing.

Given the favourable base, correction in commodity prices, softness in domestic growth, and tighter monetary conditions, inflation is expected to decelerate in FY 23-24. Moreover, input pricing pressures are abating. However, food inflation is unpredictable, and is subject to disruptions due to weather conditions.

## Summary and conclusion

The financial year gone by turned out to be quite different from expectations. On one hand, global economic growth sustained reasonably well as the pent-up demand, strong household balance sheets and low unemployment kept consumption steady. On the other, the world experienced events of scale unprecedented events such as wars, persistent inflation, sharper and faster rate hikes, bank failures in the US and Europe, pension fund crisis in the UK, among others. Going forward, global growth is expected to slow down, as the world reels under sustained high interest rates and demand normalises, partially offset by the reopening of China, which could unleash pent-up spending.

In India, growth is likely to be moderate, weighed down by slowing global trade, lower fiscal impulse and demand normalisation. The external sector remains modestly vulnerable to the continued global liquidity tightening, but remains well-cushioned by foreign exchange reserves. The key risks to our view are escalation of geopolitical tensions, excessive tightening by central banks, sharp rise in energy prices, persistent inflation, significantly below-normal monsoon.

### Equity market

Indian equities ended FY 22-23 flat YoY, caught between two conflicting forces. Relatively strong domestic growth, robust corporate earnings, optimistic growth outlook, large inflows into domestic institutional investors supported equities. However, accelerated monetary tightening by major central banks, volatility in commodity prices, large Foreign Portfolio Investment (FPI) selling, etc. weighed it down. Midcaps performed largely in line with large caps, but small caps underperformed. Among the key sectors, Capital goods, FMCG, Auto, and Banking outperformed while IT, Metals, Power, Healthcare, and Oil & Gas underperformed. The performance of major global equity indices was mixed with European equities performing better than the US and Asian markets.

#### Performance of key domestic and global indices

| % Change in Indices | FY 21-22 | FY 22-23 |
|---|---|---|
| S&P BSE India Auto | 8.1 | 17.5 |
| S&P BSE India Bankex | 11.2 | 10.2 |
| S&P BSE India Capital Goods | 30.4 | 25.0 |
| S&P BSE India FMCG | 3.6 | 23.6 |
| S&P BSE India Healthcare | 14.0 | (10.0) |
| S&P BSE India Metal | 55.9 | (14.2) |
| S&P BSE India Power | 63.4 | (10.8) |
| S&P BSE India Oil & Gas | 26.5 | (7.2) |
| S&P BSE India IT | 37.1 | (21.8) |
| **S&P BSE SENSEX** | **18.3** | **0.7** |
| **NIFTY 50** | **18.9** | **(0.6)** |
| **NIFTY Midcap 100** | **25.3** | **1.2** |
| **NIFTY Small Cap** | **28.6** | **(13.8)** |

| % Change in Indices | FY 21-22 | FY 22-23 |
|---|---|---|
| S&P 500 | 14.0 | (9.3) |
| Nasdaq | 7.4 | (14.1) |
| FTSE | 11.9 | 1.5 |
| DAX | (4.0) | 8.4 |
| CAC | 9.8 | 9.9 |
| Nikkei | (4.7) | 0.8 |
| Hang Seng | (22.5) | (7.3) |
| KOSPI | (9.9) | (10.2) |
| Shanghai | (5.5) | 0.6 |
| MSCI Emerging Market Index | (13.3) | (13.3) |

Source: Bloomberg

### Foreign Portfolio Investors (FPIs) and Domestic Institutional Investors (DIIs) flows:

FPIs sold equities worth $6.3 Billion in FY 22-23, compared to net selling of $17.1 Billion in FY 21-22. This was more than offset by DII buying (mainly insurance and mutual funds). DIIs bought equities of $32.2 Billion, compared with the $29.5 Billion bought in FY 21-22.

**Valuation divergences has narrowed: The valuations for major sectors are close to or higher than long-term averages as shown in the table below:**

| | 12-Month Forward Price To Earnings | | |
|---|---|---|---|
| | FY 22-23# | LTA | Discount / Premium (%) ^ |
| Cement | 33.0 | 20.7 | 59.5 |
| Consumer Staples* | 51.1 | 38.1 | 34.2 |
| Consumer Discretionary | 54.2 | 41.0 | 32.4 |
| IT Services | 21.2 | 18.5 | 14.7 |
| Auto | 18.6 | 16.4 | 13.3 |
| Oil & Gas$ | 12.3 | 11.5 | 7.6 |
| Pharma | 21.7 | 21.5 | 0.9 |
| Tobacco | 22.8 | 22.8 | 0.2 |
| Private Banks@ | 2.4 | 2.4 | (1.9) |
| PSU Banks@ | 1.1 | 1.2 | (8.2) |
| Metals& | 8.7 | 9.9 | (12.2) |
| Electric Utilities | 10.2 | 12.6 | (19.1) |

Source: Kotak Institutional Equities. Stocks are part of Kotak Institutional Equities universe. LTA – 15-Year average.

Cells in green are sectors which are trading at premium while in red are ones which are trading at discount relative to long term average. All figures are calculated based on 12 months forward estimates.

#-as on March 31, 2023. *ex tobacco; ^to Long term (LT) average, @-Price to Book value. & - P/E is a misleading indicator as earnings reflect cyclical peak and hence the sector appears at a discount to LTA.

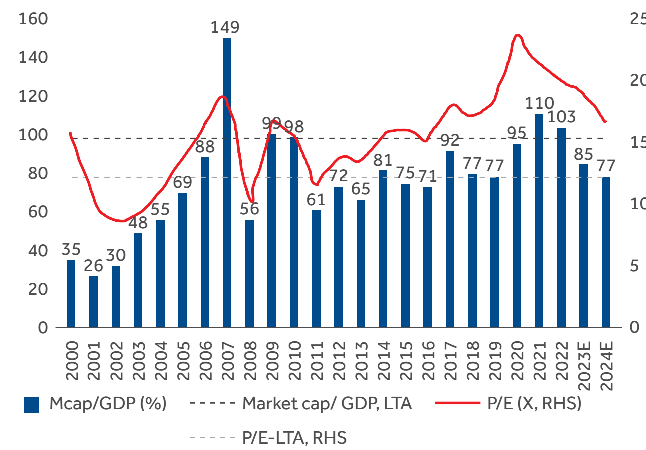
$ Oil & Gas sector PE is high mainly due to one company. Excluding that, the multiple is 5.7x vs 15-year average multiple of 8.8x.

### Outlook

As on March 31, 2023, the NIFTY 50 was trading at ~18.9x FY24E and ~16.3x FY25E earnings. The valuation multiples have moderated from their recent peak and are now close to their historical averages. India's market cap-to-GDP (CY23E) stood at ~85%, off its peak and within the historical range of past decade (70-100%). The gap between 10Y G-sec yield and 1Y-Forward NIFTY 50 earnings yield* has also narrowed from its peak [*Earnings yield = 1/ (one year forward P/E)*]. Thus, market valuations are still above historical average but have corrected from their peak. Further, one should view the same in the context of structurally attractive nominal GDP growth, a robust economic recovery, a healthy corporate earnings outlook and strong de-levered corporate balance sheets.

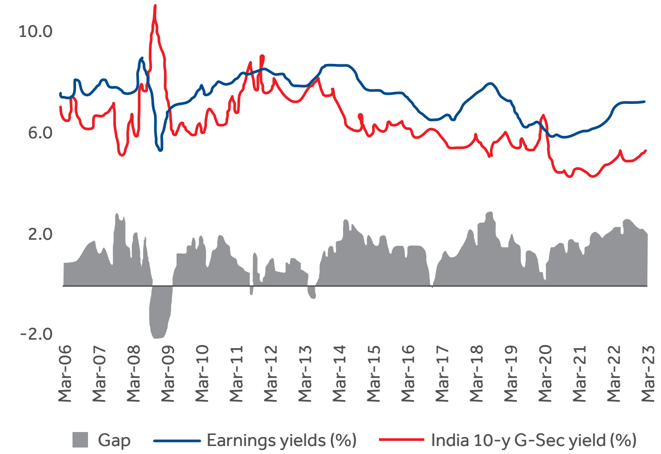







### 10Y Gsec and NIFTY Earning Yield

(%)




Source: Kotak Institutional Equities

We remain positive on equities over the medium-to-long term considering the resilient domestic growth outlook, robust corporate profitability, growth-supportive policies, etc. Accelerated monetary policy tightening, a sharp slowdown in global growth, persistent inflation, a slowdown in earnings growth, a delay in recovery in the rural sector, etc. are key near-term risks.

### Fixed income market

Indian as well as global fixed income markets faced a challenging FY 22-23. Amid the synchronised tightening by major central banks (including RBI) and rising yields globally, India's G-sec yield curve shifted up, especially post the Union Budget FY23-24, as the government announced borrowings exceeding market expectations. The rise in yields was further accentuated by the RBI's repo rate hike and Cash Reserve Ratio (CRR) increase announced in an unscheduled meeting in May 2022. To curb volatility in the Indian rupee and drain out excess liquidity, the RBI sold US dollar. The yields at the short end rose at a much faster pace than the yields at the long end, thereby flattening the yield curve. The 10Y benchmark G-sec yield ended the year 48 bps higher at 7.31%, while the 1Y G-sec yield rose 247 bps. Corporate bond spreads over G-sec yields widened, driven by a sharp increase in the supply of bonds, especially in the second half of the year.

#### G-sec and corporate bond yields

| Average, YoY (%) | FY 21-22 | FY 22-23 | Change in % |
|---|---|---|---|
| MIBOR Overnight Rate (%) | 3.90 | 7.79 | 3.89 |
| 3M G-sec yield (%) | 3.84 | 6.74 | 2.90 |
| 1Y G-sec Yield (%) | 4.67 | 7.14 | 2.47 |
| 10Y Benchmark G-sec Yield^ (%) | 6.83 | 7.31 | 0.48 |
| AAA 10Year Corporate Bond Yield# (%) | 7.17 | 7.81 | 0.64 |
| AAA 10Y Corporate Bond Spread vs. 10Y Benchmark@ (bps) | 34 | 50 | 0.16 |
| Average net liquidity absorbed by RBI* (₹ Billion) | 6,498 | 1,597 | (75.4) |

Source: Bloomberg, RBI. ^ - bi-annual yield; #-annualised yield; @ - Spreads calculated by subtracting non-annualised G-sec yields from annualised corporate bond yields. *Average net daily liquidity infused/ absorbed through Liquidity Adjustment Facility, exports refinance, marginal standing facility and term repos/reverse repos.

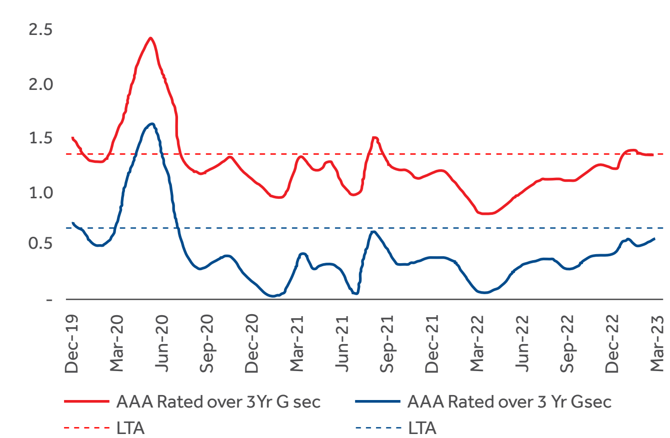
Average interbank liquidity fell considerably, as the RBI sold the US Dollar and currency in circulation increased.

Further, robust credit growth vis-à-vis deposit growth resulted in lower interbank liquidity. FPIs turned net sellers in FY 22-23 with $0.3 Billion of debt, from being net buyers of $2.2 Billion in FY 21-22.

Credit markets were largely stable; credit spreads normalised as the supply of corporate bonds picked up during the second half.

### Corporate bond spreads

(%)



During the year, the RBI raised its policy rate cumulatively by 250 bps to 6.5%, and also introduced the Standard Deposit Facility (SDF) at a rate 25 bps lower than the repo rate. The Monetary Policy Committee (MPC) in its April 2023 meeting kept the repo rate unchanged at 6.5% while maintaining its focus on 'withdrawal of accommodation.'

#### Outlook

FY 22-23 witnessed inflation and rate hikes at a pace not seen in four decades globally. Consequently, central banks resorted to aggressive monetary tightening and resolved to continue until there were visible signs of inflation slowing. However, in March 2023, the failure of a few mid-sized US banks and the distressed merger of a large Swiss bank with another raised concerns over financial stability. Going forward, the pace of rate hikes is expected to slow and uncertainty regarding the overall impact of banking turmoil is likely to keep central banks data dependent.

Post the pandemic easing and the widening of corridor between the repo and reverse repo rate, the effective policy rate during most part of FY21-22 was 3.35% (as against the policy rate of 4%). Since April 2022, the RBI shifted its focus to inflation from growth, and introduced the SDF at a rate 25 bps lower than the repo rate. This, along with the cumulative rate hikes of 250 bps and draining out of excess liquidity, pushed the operating rate close to ~6.50%, thereby resulting in an effective tightening of 315 bps. Post the recent pause, the RBI is likely to remain data-dependent and will continue monitoring the impact of already done rate hikes and rise in financial stability risks in coming months.

Going forward, several factors seem favourably placed for the fixed income markets. CPI has eased from the peak and is likely to ease further in view of softening momentum, lowering input price pressure,aided by the correction in global commodity prices. Further, growth is also likely to moderate, on the back of exports slowing, fiscal impulse declining and private consumption normalising. Although the external sector is a risk, it is likely to improve sequentially as the net oil imports decline due to lower oil prices. Further, the easing of the US dollar from the peak and adequate foreign exchange reserves should take pressure off Indian rupee to a large extent, although the outlook for capital flows remains uncertain. On the fiscal side, budgeted market borrowings for FY 23-24 were in line with market expectations and alleviated G-sec supply concerns. Also, in our opinion, most major central banks, including the RBI, seem to be close to the end of their rate hiking cycle. Moreover, the bar set for future rate hike(s) is high, and therefore, an extended pause seems probable at this stage. The aforesaid factors are likely to bode well for the fixed income outlook. Key risks to the outlook are elevated Core CPI, resilient domestic growth, robust credit demand and continued global monetary tightening. Heightened geopolitical risks, elevated oil prices, tight liquidity and increase in issuance of state development loans (SDLs) in FY 23-24 are other important factors, which could keep the yields elevated. Overall, yields are likely to be range-bound with a downward bias.

### A3. Industry environment

#### Assets Under Management (AUM)

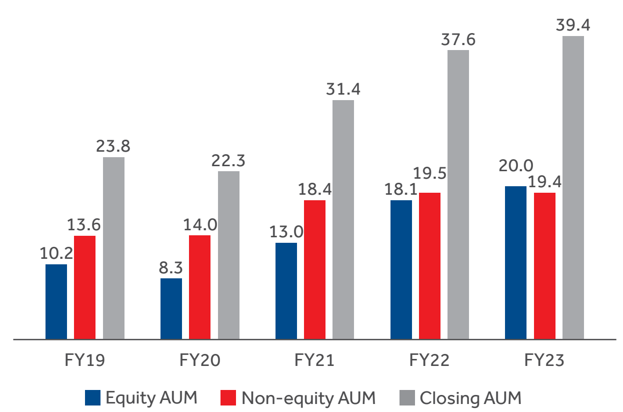
Assets Under Management as on March 31, 2023 increased by 5% to ₹39.42 Lakh Crore as against ₹37.57 Lakh Crore on March 31, 2022. Equity-oriented AUM witnessed a growth of 11% to ₹ 20.0 Lakh Crore, driven by increased net flows, while non-equity-oriented AUM came in at ₹ 19.42 Lakh Crore, almost flat as compared to last year.

During FY 22-23, the industry saw net inflows to the tune of ₹1.8 Lakh Crore in equity-oriented funds out of which ₹0.18 Lakh Crore came into equity-oriented index funds, while debt funds including debt-oriented index funds recorded outflows of ₹0.8 Lakh Crore, liquid funds saw outflows of ₹0.51 Lakh Crore and Others (including arbitrage funds, Exchange Traded Funds (ETFs) and Fund of Funds (FoF)) saw net inflows of ₹0.27 Lakh Crore.

Annual Average AUM (AAAUM) for FY 2022-23 grew by 10% to ₹ 40 Lakh Crore from ₹ 36.5 Lakh Crore in FY 2021-22.

#### Closing AUM

(₹ in Lakh Crore)



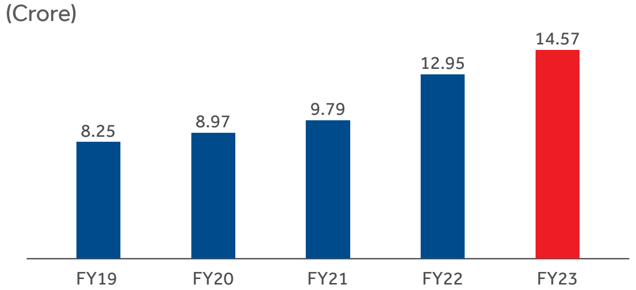

Source: AMFI

#### Mutual fund folios

The MF industry recorded a 13% increase in the number of folios to 14.57 Crore as on March 31, 2023 from 12.95 Crore as on March 31, 2022. Of the total, 14.49 Crore were folios from individual investors, up 13% YoY. Unique investors identified on PAN and PEKRN increased by 12% to 3.77 Crore as on March 31, 2023. The industry has added 7.4 Crore net new folios in last five years.

#### MF Industry Folios

(Crore)



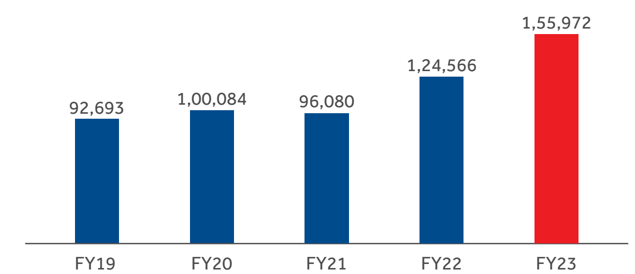

Source: AMFI. Data as of March 31 each year.

#### SIP flows

SIP flows remained robust despite global uncertainties. The MF industry witnessed 2.51 Crore new SIP registrations and annual SIP flows of ₹1,55,972 Crore in FY 22-23, up 25% from FY 21-22.

#### MF SIP Flows

(₹ in Crore)



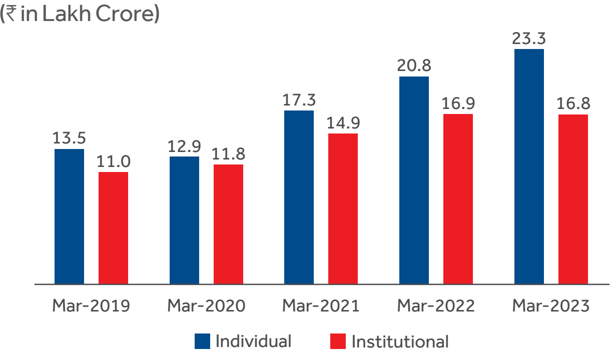

Source: AMFI

#### Demographics

Individual investors contributed ₹ 23.3 Lakh Crore (58%) to the industry monthly average AUM (MAAUM), while institutional investors contributed ₹16.8 Lakh Crore (42%) for the month of March 2023.

#### MAAUM by investor type

(₹ in Lakh Crore)

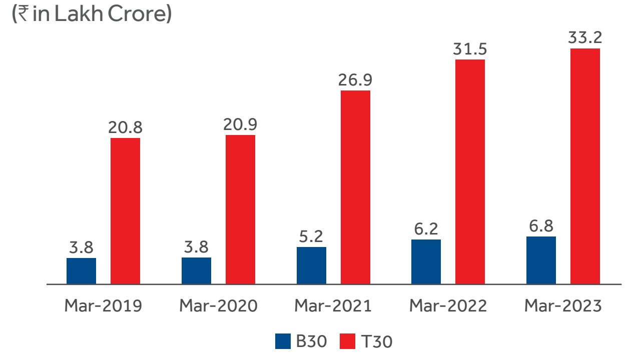



Source: AMFI

MAAUM was split in the ratio of 83:17 between the top 30 cities (T30) and beyond the top 30 cities (B30). Although B-30 accounts for 17% of total MAAUM, contribution to equity MAAUM is 26%.

#### MAAUM by cities

(₹ in Lakh Crore)




Source: AMFI

#### Indian MF industry trends

Mutual fund AUM in India has recorded a CAGR of 13.0% over the past five years. The growth of the mutual fund industry showcases its ability to adapt to evolving investor preferences and market dynamics. The industry's continuous efforts to educate and create awareness about the benefits of mutual funds have played a pivotal role in driving investor participation. The MAAUM of individual investors reached ₹23.3 Lakh Crore in March 2023, registering a CAGR of 14.8% since March 2018.

Net inflows over the past five fiscal years have been ₹7.34 Lakh Crore, of which ₹4.98 Lakh Crore have flowed in active equity-oriented schemes.

Monthly SIP flows more than doubled from ₹7,119 Crore for the month of March 2018 to ₹14,276 Crore in March 2023. SIP accounts as on March 31, 2023 were 6.36 Crore, up from 2.11 Crore on March 31, 2018. SIPs are typically sticky long-term inflows and lend visibility and predictability to AUM growth. The popularity of SIPs continues to soar and provide investors with benefits like regular investing, rupee cost averaging.

**Healthy growth of mutual fund AUM in India (₹ in Lakh Crore)**

| % Change in Indices | 2018 | 2019 | 2020 | 2021 | 2022* | 2023* |
|---|---|---|---|---|---|---|
| Equity AUM | 9.22 | 10.21 | 8.26 | 13.00 | 18.08 | 19.98 |
| Debt AUM | 7.99 | 7.30 | 7.76 | 10.58 | 9.51 | 9.19 |
| Liquid AUM | 3.36 | 4.36 | 4.15 | 4.08 | 4.48 | 4.28 |
| Other AUM | 0.79 | 1.93 | 2.09 | 3.77 | 5.48 | 5.97 |
| **Total** | **21.36** | **23.80** | **22.26** | **31.43** | **37.57** | **39.42** |

Source: AMFI. Data as of March 31 each year.
* Equity AUM data from FY 2022 includes equity-oriented index funds and Debt AUM includes debt-oriented index funds.

## Review of Business

### B1. Business overview

HDFC AMC is the investment manager to HDFC Mutual Fund with a closing AUM of ₹4.37 Lakh Crore and total AAAUM of ₹4.36 Lakh Crore, as of March 31, 2023. Equity-oriented closing AUM accounted for ₹2.46 Lakh Crore, with non-equity-oriented AUM contributing the rest. During the year, we made significant advancements in strengthening our brand as one-stop shop for investment needs by launching a sleuth of new fund offers (NFO) across both active as well as passive categories.

We also provide portfolio management and separately managed account services to HNIs, family offices, domestic corporates, trusts, provident funds, and domestic and global institutions. As of March 31, 2023, aggregate assets under these services were at ₹1,825 Crore. Recognising the potential of India's private markets, we embarked on an exciting journey by launching the HDFC Alternatives brand. We announced first close of our HDFC AMC Select AIF FOF I on March 31, 2023 with commitments adding up to ₹400 Crore.

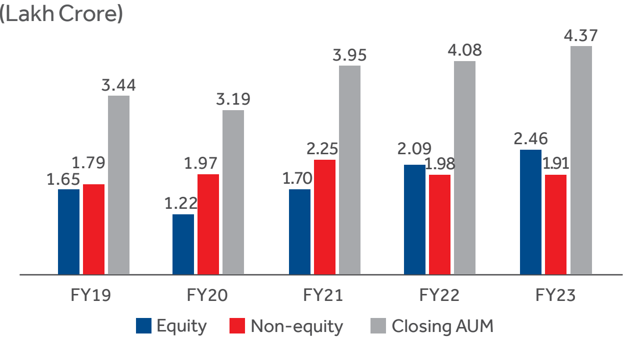
### B2. Operational performance review

#### Assets under management

Our closing AUM, as of March 31, 2023, rose 7% to ₹4.37 Lakh Crore from ₹4.08 Lakh Crore as of March 31, 2022. Equity-oriented AUM rose 18% to ₹2.46 Lakh Crore from ₹ 2.09 Lakh Crore as of March 31, 2022. Total AAAUM was at ₹4.36 Lakh Crore as of March 31, 2023 versus ₹4.34 Lakh Crore as of March 31, 2022. AAAUM for actively managed equity-oriented schemes increased by 15% to ₹2.17 Lakh Crore, from ₹1.89 Lakh Crore.

#### Closing AUM

(Lakh Crore)



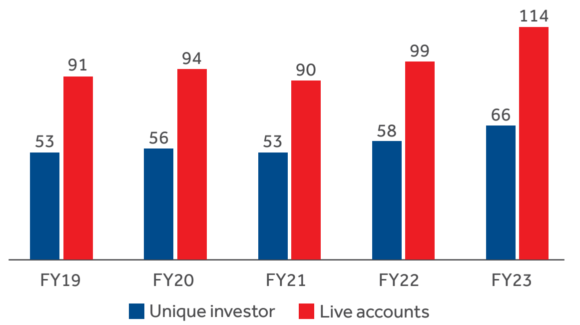

#### Unique investors and live accounts

We proudly served a customer base of 66 Lakh unique investors, with 114 Lakh live accounts. We also retained our position as one of the most preferred choices for individual investors, with a monthly average AUM market share of 12.9% for March 2023. Our market share in total closing AUM and actively managed equity-oriented funds stood at 11.1% and 11.9%, respectively. Equity-oriented assets formed 56% of our total AUM as of March 31, 2023.

HDFC AMC processed 4.76 Crore systematic transactions between April 2022 and March 2023, amounting to ₹17,383 Crore. About 86% of all systematic transactions at the time of signing up are for a period of over five years and about 77% for over 10 years.

#### Number of investors

(Lakh)




### B3. Financial Performance

#### Standalone financial performance review

- Our Company's total income has increased by 2.03% to ₹2,482.57 Crore in FY 22-23
- The Profit After Tax (PAT) stood at ₹1,423.92 Crore and grew by 2.21% over FY 21-22
- The Operating Profit (Profit Before Tax less Other income) increased by 1.13% to ₹1,554.85 Crore in FY 22-23
- PAT as a percentage of Annual Average AUM increased from 0.32% in FY 21-22 to 0.33% in FY 22-23
- The Company's average net worth increased by 12.93% to ₹5,819.23 Crore in FY 22-23





#### Financial performance with respect to our operations

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

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

Our Company adopted Ind AS with effect from April 01, 2018. Significant accounting policies used for the preparation of the financial statements are disclosed in note 3 to the financial statements.

The following table sets forth selected financial information from our Statement of Profit and Loss for FY 22-23 and FY 21-22.

(₹ in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 | % Change |
|---|---|---|---|
| Revenue from Operations | 2,166.81 | 2,115.36 | 2.43 |
| Other Income | 315.76 | 317.84 | (0.65) |
| **Total Income** | **2,482.57** | **2,433.20** | **2.03** |
| Finance Costs | 9.69 | 8.64 | 12.15 |
| Fees and Commission Expenses | 3.68 | 5.41 | (31.98) |
| Employee Benefits Expenses | 312.67 | 312.20 | 0.15 |
| Depreciation, Amortisation and Impairment | 53.34 | 53.85 | (0.95) |
| Other Expenses | 232.58 | 197.81 | 17.58 |
| **Total Expenses** | **611.96** | **577.91** | **5.89** |
| **Profit before Tax** | **1,870.61** | **1,855.29** | **0.83** |
| Current Tax | 421.26 | 418.96 | 0.55 |
| Deferred Tax Charge / (Credit) | 25.43 | 43.20 | (41.13) |
| **Tax Expense** | **446.69** | **462.16** | **(3.35)** |
| **Profit after Tax** | **1,423.92** | **1,393.13** | **2.21** |

#### Revenue from operations

Revenue from operations comprises investment management fees from the mutual fund and portfolio management services (PMS) and other advisory services.

Investment management fees from the MF consists of fees from various schemes that invest in different categories of securities like Equity, Debt, etc. In general, fees per unit of AUM from schemes investing in equity securities are substantially higher than schemes investing in debt securities. Within these categories of funds, there are variations in the fees per unit of AUM based on factors like fund composition, fund size, and others. Hence, the quantum of fees is dependent on the size and composition of the AUM, and if there are any changes therein, it leads to higher or lower fees on an overall basis.

The increase in Revenue from Operations from ₹2,115.36 Crore in FY 21-22 to ₹2,166.81 Crore in FY 22-23, was largely due to increase in investment management fee by 2.74% from ₹2,103.24 Crore in FY 21-22 to ₹2,160.79 Crore in FY 22-23. The said increase was a result of higher component of Equity oriented schemes in the overall Annual Average AUM as well as marginally higher total Annual Average AUM in FY 22-23 as compared to FY 21-22.

PMS and other advisory services fee has declined from ₹12.12 Crore in FY 21-22 to ₹6.02 Crore in FY 22-23.

#### Other income

Our other income is largely earned from our own investments, which are generated from retained surpluses. Other income shows a minor decrease by 0.65% from ₹317.84 Crore in FY 21-22 to ₹315.76 Crore in FY 22-23. However, it could have been higher by 3.81% but was not realised due to the details explained herein.

As on April 01, 2020, the Company held certain Non-Convertible Debentures (NCDs) that were secured by a pledge of listed equity shares. These NCDs were classified as financial assets at fair value through profit and loss. Hence, any realised gain on their sale/changes in fair value was reflected under 'Other Income'. During FY 20-21, the Company had invoked and sold a majority of the pledged shares. The balance pledged shares were sold during FY 21-22 resulting in a net gain amounting to ₹13.67 Crore.

#### Finance costs

Finance costs are on account of accounting treatment prescribed under IND AS 116-Leases, where the future lease payments are discounted to its present value and are un-wound subsequently, resulting in finance cost.

#### Fees and commission expenses

Fees and commission comprises primarily of commissions paid to distributors on sale of our MF schemes, PMS and advisory mandates. In accordance with SEBI guidelines, no commission on fresh sales of MF schemes was charged to our Company. However, certain amounts paid in the past are still being amortised. The residual unamortised amount of such commissions is minuscule. Our fees and commission expenses decreased from ₹5.41 Crore in FY 21-22 to ₹3.68 Crore in FY 22-23.

### Employee benefits expenses

Our employee benefits expenses increased marginally due to the following reasons:

- An increase in salaries and allowances of employees which was led by increase in certain emoluments for employees in FY 22-23.
- Under Employees Stock Option Scheme-2020 ('ESOS - 2020'), apart from stock options granted in the past year(s), the Nomination and Remuneration Committee (NRC) of the Board of Directors of the Company at its meeting held on July 21, 2022 had approved a further grant of 50,000 stock options representing 50,000 equity shares of ₹ 5 each, at a grant price of ₹1,921.70 per equity share (being the market price as defined in the applicable SEBI Regulations), to its eligible employees.

In terms of ESOS-2020, the options shall vest in three tranches. Each of these tranches consisting of 1/3 of the options granted shall vest on the completion of the 1st, 2nd and 3rd year from the date of the grant, respectively. The total charge towards the outstanding stock options has decreased from ₹63.32 Crore in FY 21-22 to ₹40.11 Crore in the FY 22-23 and the same is appearing as Share-Based Payments to Employees.

Accounting for equity settled share based payment transaction (employee stock options) at fair value increases the non-cash component of Employee Benefits Expenses and is also reflected in Share Options Outstanding Account under Other Equity. This balance of Share Options Outstanding Account is transferred to Securities Premium as and when the stock options are exercised by the employees and subsequent allotment of shares to them. Hence, this charge is neutral to the Equity of our Company.

- Accordingly, the employee benefit expenses marginally increased by 0.15% from ₹312.20 Crore in FY 21-22 to ₹312.67 Crore in FY 22-23. However, excluding the above mentioned non cash charge towards employee stock options, the employee benefit expenses has increased by ₹23.68 Crore i.e. 9.51%.

### Depreciation, amortisation and impairment

Our Depreciation, Amortisation and Impairment decreased from ₹53.85 Crore in FY 21-22 to ₹53.34 Crore in FY 22-23, primarily due to lower amortisation charge on computer software. However, the depreciation charge on Right of Use Asset has increased to a similar extent which offsets the fall in amortisation charge on computer software.

### Other Expenses

Our other expenses increased by 17.58% from ₹ 197.81 Crore in FY 21-22 to ₹ 232.58 Crore in FY 22-23 primarily due to increase in 'Advertisement, Publicity and Business Promotion expenses', 'Travel and Conveyance', 'Subscription and Membership Fees', 'Outsourced Services Cost', 'Corporate Social Responsibility Expense', and 'Software Expenses and Allied Services'. This rise in expenditure was due to a combined effect of pick up in business activities in the current year as compared to the previous year coupled with other business & digital initiatives taken by the Company.

- Our New Fund offer and Mutual Fund Expenses decreased from ₹15.42 Crore in FY 21-22 to ₹8.33 Crore in FY 22-23.
- Our Advertisement, Publicity and Business Promotion expenses increased from ₹27.59 Crore in FY 21-22 to ₹ 38.04 Crore in FY 22-23. This incremental spend was in pursuit of continuous engagement with various stakeholders of the business.
- Our Travel and Conveyance expenses increased from ₹4.83 Crore in FY 21-22 (a lower spend due to travel restrictions), to ₹8.00 Crore in FY 22-23.
- Our Subscription and Membership Fees increased from ₹9.58 Crore in FY 21-22 to ₹ 12.91 Crore in FY 22-23 as a result of subscription to various business-related services.
- Our Outsourced Services Cost increased from ₹ 21.72 Crore in FY 21-22 to ₹ 26.13 Crore in FY 22-23 mainly due rise in support staff cost.
- In accordance with the requirement of the Companies Act 2013, our Corporate Social Responsibility expenses increased from ₹30.10 Crore in FY 21-22 to ₹31.68 Crore in FY 22-23.
- Our Software Expenses and Allied Services cost increased from ₹21.18 Crore in FY 21-22 to ₹30.50 Crore in FY 22-23 due to continuing enhancements on the technology front and digitisation initiatives during the current year.

The amount of Other Expenses incurred in FY 19-20 (pre-COVID level) was ₹195.43 Crore. The increase from the pre-pandemic level (FY 19-20) is at the rate of 5.98% (three -year Compounded Annual Growth Rate). We shall continue to invest further in technology and digital infrastructure to be future ready. However, these expenses would be incurred in a calibrated manner.

### Profit Before Tax

As a result of the factors outlined above, our Profit Before Tax increased by 0.83% to ₹1,870.61 Crore in FY 22-23 from ₹1,855.29 Crore in FY 21-22.

### Tax expenses

Our total tax expenses declined by 3.35% to ₹446.69 Crore in FY 22-23 from ₹462.16 Crore in FY 21-22. Our current tax charge increased to ₹421.26 Crore in FY 22-23 from ₹418.96 Crore in FY 21-22. Our deferred tax charge decreased to ₹25.43 Crore in FY 22-23 from ₹43.20 Crore in FY 21-22, mainly on account of movement in 'fair value gains/losses and impairment on investments'. Our effective tax rate, including deferred tax was at 23.88% and 24.91% for FY 22-23 and FY 21-22, respectively. Our Company had elected to exercise the option of a lower tax rate provided under Section 115BAA of the Income-tax Act, 1961.

### Profit After Tax

As a result of the factors outlined above, our Profit After Tax increased by 2.21% to ₹ 1,423.92 Crore in FY 22-23 from ₹ 1,393.13 Crore in FY 21-22.

### Dividend

Your Directors have recommended a final dividend of ₹48 per equity share of Face Value of ₹ 5 each for FY 22-23 as compared to ₹42 per equity share for FY 21-22. Accordingly, the Dividend payout ratio for FY 22-23 would stand at 71.95%, up from 64.30% for FY 21-22.

### Statement of Assets and Liabilities

The following table details the selected financial information from our Balance Sheet as on March 31, 2023 and March 31, 2022

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| **Assets** | | |
| Financial Assets | 6,310.68 | 5,684.02 |
| Non Financial Assets | 225.85 | 196.35 |
| **Total Assets** | **6,536.53** | **5,880.37** |
| **Liabilities and Equity** | | |
| Financial Liabilities | 241.86 | 218.88 |
| Non Financial Liabilities | 186.26 | 131.45 |
| **Total Liabilities** | **428.12** | **350.33** |
| **Total Equity** | **6,108.41** | **5,530.04** |
| **Total Liabilities and Equity** | 6,536.53 | 5,880.37 |

#### Financial Assets

Investments

Our Company's investment grew from ₹ 5,570.23 Crore in FY 21-22 to ₹ 6,079.16 Crore in FY 22-23

- The increase in investments carried at fair value through Profit & Loss from ₹5,107.30 Crore in FY 21-22 to ₹ 5,658.22 Crore in FY 22-23 is due to net investment in mutual fund schemes and fair value changes.
- The investments carried at amortised cost have decreased from ₹462.93 Crore in FY 21-22 to ₹ 417.94 Crore in FY 22-23 primarily due to maturity of certain tax-free bonds.
- A Wholly Owned Subsidiary ('WOS') of our Company namely 'HDFC AMC International (IFSC) Limited', with its principal place of business in Gujarat International Finance Tec-City (GIFT City), Gandhinagar, India, had been incorporated on May 27, 2022. An amount of ₹ 3.00 Crore was invested in the WOS during the reporting period.

#### Non Financial Assets

Non Financial Assets have increased from ₹196.35 Crore in FY 21-22 to ₹225.85 Crore in FY 22-23. This increase is primarily due to:

- Increase in net book value of Property, Plant and Equipment from ₹122.18 Crore in FY 21-22 to ₹ 137.59 Crore in FY 22-23.
- Increase in Other Non Financial Assets from ₹ 30.16 Crore in FY 21-22 to ₹42.78 Crore in FY 22-23.

#### Financial liabilities

Financial Liabilities have increased from ₹ 218.88 Crore in FY 21-22 to ₹241.86 Crore in FY 22-23. This increase is primarily due to increase in Lease Liability balances.

#### Non-financial liabilities

Non Financial Liabilities have increased to ₹186.26 Crore in FY 22-23 from ₹131.45 Crore in FY 21-22. This is largely due to to movement in net Deferred tax balances and Other Non -financial liabilities.

#### Total equity

Total Equity has increased mainly due to higher retained earnings. Retained earnings represents the surplus profits after payment of dividend.

### Key financial ratios

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 | % Change |
|---|---|---|---|
| Annual Average AUM (₹ in Crore) | 4,36,126.02 | 4,33,859.34 | 0.52 |
| Profit After Tax as a % of Annual Average AUM | 0.33 | 0.32 | 1.68 |
| Debtors Turnover (times)^ | 16.78 | 27.39 | (38.74) |
| Current Ratio (times)* | 6.15 | 8.13 | (24.35) |
| Operating Profit Margin (%) | 71.76 | 72.68 | (1.27) |
| Net Profit Margin (%) | 57.36 | 57.26 | 0.17 |

**Note:** Inventory Turnover Ratio is not applicable to the Company. Further, Interest Coverage Ratio and Debt Equity Ratio have not been presented as the Company is debt free as at March 31, 2023 and as at March 31, 2022. The finance costs appearing in the Statement of Profit and Loss is a result of accounting treatment under Ind AS 116 – Leases and accordingly, there is no obligation on the Company to service any interest cost.

^ Reason for decrease in Debtors Turnover:

This ratio has changed as a result of higher amount of average debtors (trade receivable) outstanding due to a change in the collection period.

* Reason for decrease in Current Ratio:

(i) Current asset balances and specifically, investments which are maturing within 12 months from the reporting date including new purchases, have changed;

(ii) Within current asset balances, trade receivables have increased as explained earlier and;

(iii) Current liabilities have increased largely due to a rise in trade payables, other financial liabilities, current tax liabilities and other non financial liabilities.

### Return on net worth (Computed on average net worth)

(₹ in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 | % Change |
|---|---|---|---|
| Networth at the Beginning of the Year | 5,530.04 | 4,776.18 | 15.78 |
| Networth at the End of the Year | 6,108.41 | 5,530.04 | 10.46 |
| **Average Networth** | **5,819.23** | **5,153.11** | **12.93** |
| **Profit After Tax** | **1,423.92** | **1,393.13** | **2.21** |
| Return on Average Networth (%) | 24.47 | 27.03 | (9.47) |

Return on Average Net Worth decreased from 27.03% in FY 21-22 to 24.47% in FY 22-23. This is due to a higher % change in Average Net Worth as compared to % change in Profit After Tax. Average Net Worth has increased mainly due to growth in retained earnings.

### Incorporation of a wholly owned Subsidiary

A Wholly-Owned Subsidiary ('WOS') of our Company namely 'HDFC AMC International (IFSC) Limited', located in Gujarat International Finance Tec-City (GIFT City), Gandhinagar, India, had been incorporated effective May 27, 2022, and was capitalised during the financial year 2022-23. Accordingly, consolidated financial statements of our Company have been prepared from the current financial year. The WOS is in the business of providing Investment Manager Services, act as a sponsor/settler for the GIFT AIF Funds and providing discretionary/non-discretionary portfolio management services to clients (PMS). As of the end of the reporting period, the WOS is in the process of setting up its business operations. The consolidated financial statements are also available in this Annual Report.

### B4. Outlook

While the assets under management for mutual funds have almost doubled in five years, the industry will experience tailwinds that are expected to propel future growth.

### Growth drivers

- The growing financial literacy among Indian investors, coupled with the need for long-term wealth creation, is expected to drive higher participation in mutual funds.
- As investors move away from traditional investment avenues, mutual funds offer a convenient and professionally managed alternative.
- Growing popularity of SIPs, with large-scale campaigns improving outreach.
- India's burgeoning middle-class segment, characterised by rising disposable incomes and aspirations, presents a significant growth opportunity.
- Emergence and growth of fintech platforms to bring in a large pool of new investors.
- Strong distribution platform and ease of transactions through digitisation will be the key drivers in reaching out to the bottom of the pyramid investor base.

### Strategic priorities

- Endeavour to be a one-stop shop for all investment needs, ranging from a diverse selection of mutual funds, including both actively managed and passive options, to portfolio management services and alternative investment opportunities. We will continuously assess market opportunities, identify gaps in the product offering, and develop investment solutions to meet the changing needs of investors.
- Set industry benchmarks around performance along with building an inclusive ecosystem of information, knowledge and platforms.
- Customers are at the core of everything that we do and we want to keep progressing in our journey from client service to client delight.
- Enhance our distribution footprint and leverage technology to boost accessibility and attract new investors. We will continue our investments in advanced digital platforms, data analytics and automation.
- Adopt best-in-class corporate governance practices and risk management process.
- Focus on attracting and retaining top talent, providing ongoing training and development opportunities, and foster a culture of innovation and collaboration.
- Demonstrate our commitment to including environmental, social and governance (ESG) factors in decision-making and ownership.

## C. Internal control systems and their adequacy

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

The Audit Committee and Risk Management Committee are responsible for overseeing the risk management framework, reviewing the key risks and mitigation strategies, and ensuring the effectiveness of risk management policies and procedures.





The Management is also responsible for ensuring that the risk management framework is effectively implemented within all areas of operations.

Deloitte Touche Tohmatsu India LLP carried out an internal audit of our Company's activities for FY 22-23. It carries out internal control reviews and provides an independent report to the Audit Committee on the adequacy and effectiveness of the risk management and internal controls of the organisation. All significant audit observations and follow-up actions thereon are periodically reported to the Audit Committee and closely monitored for effective implementation.

B S R & Co. LLP, the statutory auditors of our Company audited the standalone and consolidated financial statements included in this Report and has issued, as a part of Auditor's Report, an attestation report on our internal financial controls with reference to the financial statements (as defined in Section 143 of the Companies Act, 2013).

Based on its evaluation, the Audit Committee has concluded that, as of March 31, 2023, our internal financial controls were adequate and operating effectively.

## D. Information Technology (IT)

In the business of asset management, data and analytics play a vital role in enhancing efficiency and effectiveness. Collection, analyses, and interpretation of large data sets, from both organic and inorganic sources, are pivotal in driving informed and objective decision making. A future-ready Enterprise Data Warehouse solution encompasses multiple source systems for distribution, performance, and industry data.

Data visualisation helps the process owners identify critical levers for improving business outcomes while focusing on risk controls. The interactive dashboards empower users to seamlessly view performance metrics and track progress against goals. The updation of dashboards is tailored as per specific business needs. This provides time-critical, reliable data to facilitate informed decision-making.

Implementing data warehouse offers a substantial benefit of delivery of a single source of truth. The warehouse provides a centralised repository for all transaction data and derived attributes ensuring that the entire dataset is consistent, accurate, up-to-date, and reliable. It eliminates need of multiple data sources, with varied levels of quality attributed to considerations such as ease of access, recency, and authenticity.

The data warehouse has empowered teams to independently analyse sales data thus reducing reliance on technology experts. The business teams can leverage self-service tools to get insights into behaviours, preferences, and specific transaction patterns of target cohorts. The centralised data store automates regular report generation eliminating the need for manual data collection, organisation, quality checks, and processing. This modernised centralised data processing has replaced heavy, complex and expensive computations. Additionally, the data warehouse offers immense potential to harness durable value from ecosystem play. With such a scalable and flexible platform ,standardised interfaces can be implemented to collaborate and co-create with strategic business partners.

A modern and flexible solution has been implemented to gear infrastructure provisioning, monitoring, and management to scale technology in alignment with business growth demands, ensuring efficiency and effectiveness. Comprehensive cyber-security platforms and solutions, including threat protection, enhanced network isolation, and confidential computing, have been cohesively incorporated. The adoption of modern, secure and elastic cloud platforms and services have allowed us to adjust computing resources swiftly based on varying demands. This ensures operational efficiency and cost-effectiveness, regardless of workload fluctuations. Our internal systems have seen significant performance enhancements, thanks to access to state-of-the-art technologies and superior computing resources. Modern infrastructure has bolstered the resilience of our operations. Distributed architecture ensures that failure in one area of the system does not impact overall performance, giving the assurance of constant availability and system stability. Our shift to modern infrastructure has facilitated rapid innovation, and the new environment allows us to experiment and deploy new solutions at a much faster pace. The single pane of glass for overall infrastructure health monitoring has been attributing to efficient technology operations.

## E. Compliance

Our Compliance function monitors compliance with regulatory requirements laid down by the Securities and Exchange Board of India (SEBI) with respect to mutual fund, portfolio management services and alternative investment funds activities and other business activities permitted under Regulation 24(b) of SEBI (Mutual Funds) Regulations. The Compliance function is an interface between us and various regulators/industry bodies, such as SEBI, the RBI, the Association of Mutual Funds in India, the Association of Portfolio Managers in India, depositories and stock exchanges. The Chief Compliance Officer updates our Board and Audit Committee on various compliance matters.

Various internal policies and procedures ensure compliance with the regulatory requirements in relation to above businesses. Our Compliance Manual also lists the regulatory requirements, timelines and the functions responsible for compliance. Employee's Securities Dealing Codes regulate personal investment transactions of employees, including that of their dependants. Set guidelines are in place for personal dealings for AMC and Trustee Directors as well. Policies such as Conflict of Interest Policy, Outsourcing Policy, Policies under Risk Management Framework, Code of Conduct for Prevention of Circulation of Unauthenticated News, Anti-Money Laundering (AML) and KYC policy, and a Social Media Policy also ensure compliance with regulations relevant to our businesses.

Each function ensures compliance with applicable regulations pertaining to its areas of operation. Accordingly, we have established procedures, policies, codes and manuals, such as the Investment and Risk Manual, Operations Manual, Client Services Manual, Valuation Policy, Voting Policy, Polling Policy, Stress Test Policy, Cyber Security Policy, Cyber Crisis Management & Resiliency Policy, Stewardship Code and Code of Conduct for Fund Managers and Dealers. These are reviewed and updated periodically. An established certification process is followed by each function to periodically confirm compliance with the regulatory requirements.

Our compliance team stays updated on all new regulatory requirements and communicates the requirements to the relevant functions with meaningful inputs for implementation. The team also reviews the implementation status by coordinating with the respective functions.

We have also appointed independent internal auditors to review the activities of each department and function, including the compliance function. They review some of the compliance reports before submission to the Board and the regulators concerned. Periodical SEBI inspections and statutory audits are also conducted to review and assess the compliance status.

The compliance team also drafts and issues product offer documents, issues notices/addenda related to product documents, reviews marketing materials before dissemination, and ensures timely filing of various reports with the Board and regulators and agencies concerned. It is also responsible for the redressal of customer grievances. As part of its periodic training initiatives, the compliance team engages with the employee(s) to educate, sensitise and create awareness about their obligations under our Company's codes/policies.

## F. Operations

Our Operations are bifurcated into Mutual Fund Operations (MFO) and Portfolio Management Services Operations (PMSO).

The MFO team is responsible for servicing customers of the Mutual Fund and Segregated accounts u/r 24(b) of the SEBI (MF) Regulations. The responsibilities, inter alia, include investment administration, cash management, treasury support and settlement, fund accounting, asset valuation and unit pricing, coordination with the RTA / Custodians / Bankers / other Service Providers and MIS.

The PMSO team is responsible for managing all clients under the SEBI (PMS) regulations. Its functions include post-trade investment support, cash management, treasury and settlement functions, recording of transactions in the books of accounts of the respective clients, valuation of securities in clients' portfolios, providing various reports to the management, and liaising with bankers and custodians.

The functions of the PMSO and MFO are stand-alone, and they have their own discrete teams and systems.

All operational activities are subject to independent audits. Internal auditors perform transactional and risk-based audit, apart from undertaking process reviews on a regular basis. Independent auditors carry out the statutory audit as required under the applicable regulations for our schemes, portfolio management and segregated accounts. All applications used in operations are regularly subjected to system reviews/audits. The Audit Committee reviews all the Auditors' Reports with respect to the entire operations.

Mature, robust and scalable systems and processes form the backbone of our operations. There is a keen focus on accuracy, internal controls, minimising operational risks, and efficiency. All systems are regularly upgraded and all processes are re-engineered periodically to ensure a high standard of regulatory compliance and governance. We have a comprehensive BCP and Disaster Recovery Plan (DRP) for our operations, and it is reviewed in consultation with the Board of Directors. Both these were tested during the pandemic, and our transitions to work from home (WFH) and back to office were seamless. We regularly review the adherence of our service providers to acceptable standards of governance & compliance, as well as their IT/BCP/DRP preparedness.

## G. Risk management

Our Company has developed a comprehensive Risk Management Framework (RMF) to effectively manage key risks. This framework aligns with our business needs and relevant legal and regulatory requirements. The RMF provides guidance with respect to management for all risks relevant for the AMC and the schemes of HDFC Mutual Fund. To ensure an effective and integrated RMF, the AMC has defined three lines of defence model, viz. First Line of Defence comprises the CXOs; Second Line of Defence comprises oversight functions viz. Risk Management and Compliance; and the ThirdLine of Defence is the Internal Auditor. The Board-approved Risk Management Framework details out our approach to risk management and the roles and responsibilities of all stakeholders.

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

Risk Management Process is a logical and systematic process of identifying, analysing, evaluating, treating, monitoring and communicating risks associated with activities, functions or process, in a way that enables an organisation to minimise losses and maximise opportunities. The objective of risk management is not to eliminate risk, but to understand it so that we can take measures to prevent its occurrence and minimise the downside and take advantage of the upside. Risk assessment and mitigation strategies are an integral part of the risk framework within each function. The key risks covered are Investment Risk, Credit Risk, Liquidity Risk, Operational Risk, Compliance Risk and Business Continuity and Disaster Recovery Management.

Risk Management is integrated with major business processes such as strategic planning, operational management, and investment decisions to ensure consistent consideration of risks in all decision-making. Our Company will continuously adapt to international best practices that address regulatory changes, organisational structure, emerging technologies, dynamic market conditions, and business growth.

We have a formal programme for risk and control self-assessment (RSCA), whereby risk owners are involved in the ongoing assessment and improvement of risk management and controls. Additionally, internal audit carries out internal control reviews and provides an independent report to the Audit Committee on the adequacy and effectiveness of risk management and internal controls of the organisation. Our statutory auditor carries out a review of our internal controls over financial reporting to the extent of the scope laid out in their audit plans. All significant audit observations and follow-up actions thereon are periodically reported to the Audit Committee and closely monitored for effective implementation.

Given the rapid technological and digital advancement in the securities market, cyber risks are inevitable. Hence, a strong Cyber Risk Management framework is essential. Our Company's Cyber Risk Management framework is one wherein the cyber risk and its mitigation are monitored by the Information Technology Security Committee and Risk Management Committee. Key areas covered under the cyber risk management include strong adherence to the Board-approved Information and Cyber Security Policies, compliance with SEBI guidelines and ISO 27001 standards to ensure that we are in line with industry best practices. Our Company maintains a robust cyber-security architecture and has in place a cyber resilience framework to protect the integrity of data and guard against breaches of privacy.

Overall, risk management is a collective responsibility, from the Board to individual employees. Risks is primarily managed by the business function transacting the business. All employees are actively engaged in risk management within their own areas of responsibility and are expected to manage those risks.

## H. Insurance

Our insurance policies cover the entire gamut of our operations and protects the company from unexpected exigencies in the future. We have specialised policy insuring the schemes of HDFC Mutual Fund, HDFC Asset Management Company Limited, including PMS, AIF and advisory/ management services to permitted categories of FPIs under Regulation 24(b) of SEBI (Mutual Funds) Regulations, which, in addition to our Company, also includes our employees, directors and the trustee company of HDFC Mutual Fund. Our insurance policy covers any liability arising out of operations of Registrar and Transfer Agent and Custodians associated with our Mutual Fund business. Furthermore, we have specialised cyber-security insurance coverage as well.

## I. Intellectual property

Our Company uses, among others, the name, registered trademark and brand name of 'HDFC' and associated logos in the ordinary course of business and including 'HDFC Asset Management Company', 'HDFC Mutual Fund', and 'HDFC AMC AIF-II'. The trademark 'HDFC' is the registered property of HDFC. HDFC has granted a non-exclusive license to use its trademark and brand name 'HDFC' to our Company, subject to applicable terms and conditions.

## J. Digital platforms

We provide a diverse range of comprehensive digital solutions that cater to the needs of our investors and partners. Our digital offerings include a user-friendly portal, mobile app, WhatsApp based engagements and a responsive chatbot. We have been actively promoting digital adoption across all engagements. This year, we introduced a 'custom link' feature that offers greater investing flexibility and convenience for all stakeholders, including our employees.

As part of our commitment to deliver excellence to our investors, we have upgraded our services, and revamped our website design and investor app. Investors now have access to additional information and tools at their fingertips, helping them make informed decisions in real time. Enhancements include goal-based planning and risk assessment features to help investors shortlist investment options that align with their interests and preferences.

Our focus on a state-of-the art lead generation tool-kit has allowed us to engage more effectively with potential investors, resulting in engaged relationships and good conversions. The Customer Data Platform (CDP) solution seamlessly generated more channels and campaigns through an improved investor-view and a better understanding of investor preferences and needs. The CDP's data-driven approach has enabled us to offer personalised and targeted marketing campaigns. The campaigns have been instrumental in driving engagement and conversion rates. As we continue to expand our digital offerings and engage with investors in innovative ways, the

CDP application will continue to play an increasingly crucial role in helping us stay ahead of the curve as we provide our investors with the best-in-class experience.

Our partner network is critical to our success. We are deeply committed to providing our partners with the support and resources they need to grow and serve their investor base. To this end, along with OneClick, we strengthened the support extended to our partners' digital marketing initiatives. Our support inputs include customised marketing materials, transaction links, and online training.

We recently upgraded our platform microservices offering and updated the supporting software suite to align with higher levels of security and performance. Our cloud-only approach allows us to experiment and deliver new solutions at scale,, and provide our users with a more secure and robust solution.

We offer a range of support channels to our users, including phone, email, co-browsing, and callback. Investors and partners choose any of these offerings based on their preference and needs. We have an unwavering commitment to achieve rapid turnaround times for all support requests, and have developed processes and technologies to ensure prompt and productive responses.

One of the biggest outcomes of our digital adoption thrust is a capacity boost. We have been deploying RPA across our development and testing, but, this year, we extended it to automate the scheme information document disclosure (SID) process. This eliminated the manual burden faced by compliance teams. From conception to implementation, we are the first mutual fund house in India to automate SIDs, a significant milestone in India's RegTech space.

### Key initiatives during FY 22-23

We have taken various measures in FY23 to strengthen our digital platforms to support the scale of our mission:

- Introduced custom OneClick for Partners, Investors and Employees. Additionally, we launched variety of experience enhancing services like eKYC, biometrics, multiple payment gateways, etc. to prioritise journey of new investor and simplify onboarding process.
- Refreshed website design and experience through thoughtful user journey.
- Launched New Investor App launched with a new design, experience and many more features. The app now has an improved dashboard for investors to better view their Asset Overview, Investment Baskets, Risk Profiling and Goal Planning.
- We started WhatsApp notifications for digital transactions done by our investors. We will continue to expand our interaction with clients on the popular messaging app, making it easier for our investors to receive account updates.
- Implemented and added personalisation capabilities with Adobe Target.
- Improved engagement and lead generation across Digital Assets. A combination of user journey interventions and optimisations.
- We have made HDFCMF ConneKt app available even for MFD aspirants, with a fully featured NISM training module and preparatory quizzes. This will not only help expand our distribution network, but also bring fresh minds into our industry and to the countless unserved/underserved investors over time, with the added benefit of a 'Digital First' approach.
- We built a foundation layer for our analytics programme. We continue to see year-on-year higher conversions in our analytics based campaigns.

We aim to use technology to our advantage to make our industry, and especially our organisation, future-ready for scale. This also enables us to do our part in helping India meet its goal of becoming a paperless economy.

## K. Human Resource

Our employees are our brand ambassadors who enable us to reach out to and serve our customers and stakeholders. A strong organisational culture and value system girds our business and our interaction with our customers, partners and clients. Our people help us accomplish our vision and mission of being the most respected asset management company in the world and the wealth creator for every Indian.

We strive to provide our people an open, inclusive and enabling work environment while creating for them opportunities to upskill or reskill in order to adapt to a fast-changing world. We ensure that our people gain the ability and competence necessary to remain future-ready. To retain our record of providing high-quality advisory to our partners and clients, we ensure that our employees undergo the completion of high-quality and relevant certifications. We are fully compliant with all statutory provisions and applicable laws and regulations related to employment.

We continue to invest in employee welfare, learning and development, driving inclusion and enhancing workplace diversity. Our Human Resources function is manned by professionals who implement and drive changes that enhance our reputation as an employer of choice.

Our policy of reward and recognition, proactive promotion of a collaborative and humane work culture, have ensured our ability to attract and retain top talent. We have a robust succession framework, and continue to undertake programmes to ensure uninterrupted availability of talent from premier institutes across India. Our focus on gender diversity continues through various programmes that encourage greater participation of women in our workforce, while ensuring we drive efforts to enhance employee experience, physical and mental well-being.

Our approach and efforts are reviewed regularly at the apex level to ensure that we remain an employer of choice.

## L. Marketing initiatives

### #AbSirfBachatKyun: An Investor Awareness Campaign on ELSS Mutual Funds

The campaign highlighted the two key aspects of these funds –the growth potential of investing in equity and a three-year lock-in period. The campaign was promoted across digital and social media.

### #WhyPauseYourDreams: HDFC TaxSaver

This was a product-led campaign around HDFC TaxSaver. The campaign was promoted on digital and social media.

### Republic Day

We celebrated how our country's growth over the years through a film, *Yeh Growth Hai Mutual*. The film showcased how mutual fund investments help you grow your wealth, and also build the nation.

### International Women's Day

We released a film, *Break the Bias*, which was in the form of a social experiment to highlight the subconscious biases in people's minds with regards to women in finance.

### 11 Years of Cancer Care

We created a film to recognise and honour all those involved in the cause of cancer care.

### Investverse – An Investor Awareness Podcast

We launched a podcast, Investverse, in collaboration with a major player in the podcast category. It educated listeners on the various facets of mutual funds and aimed to inspire them to start their own investment journeys.

### #BarniSeAzadi

This campaign was specially curated for women and highlighted the social stereotypes we have been conditioned to accept. In quite a few families, even today, women do not have a significant say in matters pertaining to personal finance and investments.

We continued our campaign in FY 22-23 as well. We released a film on digital media celebrating the progress made in the year. We also conducted a series of events across the country to raise financial awareness among women.

### #NurtureNature 2.0

We continued our #NurtureNature campaign that was launched last year to mark World Environment Day. #NurtureNature is a socially responsible campaign that also advances our sustainability ambition and environmental stewardship. We planted a tree on behalf of each investor who registered a Systematic Investment Plan (SIP) digitally.

### Person of the Year 2022

At the beginning of the calendar year, we released "The Person of the Year 2022", an article by Mr. Navneet Munot, which was an interesting look back at the year gone by.

### HDFC MF Yearbook 2023

The yearbook titled 'Indian economy: An oasis in the desert', covers our views on the global and Indian economy, as well as details key emerging trends.

## M. Customer service

As a customer-centric organisation, we continue to raise the bar in service to deliver excellence so that we remain a brand of choice when it comes to matters of financial planning.

We are aware that customers today are increasingly conscious of their choices and are much better informed than before. It is thus imperative that we ensure that our front-line service team remains sharp, agile, smart and responsive to the needs of customers. To this end, we relentlessly educate and train our staff. Our service teams at our branches across the country are supported by an experienced staff at the corporate office. Regional Service Managers, who supervise service delivery in the regional offices, visit branches regularly to ensure the staff are aligned to our business purpose. While engaging with the staff to understand their perspective, the Regional Manager also manages mutual fund distributor requirements and augments support at the branches. The Corporate Client Services team, on its part, takes into account the feedback from the branches and trains the managers routinely to create last-mile impact.

We have a well-structured framework to manage service delivery and ensure that we work in tandem to enhance customer experience. Crucial to this framework is the Registrar and Transfer Agent (RTA), Computer Age Management Services (CAMS), which forms the backbone of our service delivery. We work closely with CAMS to ensure the smooth execution of work and provide support to our distribution partners. We also regularly review our business operations in detail so that we remain prepared to deal with the dynamic business environment.

We service our customers through a network of 229 branches, 267 CAMS service centres, call centres, our website and mobile app that provide digital solutions, and a centralised email address. We have also tied up and support various other avenues where our customers may choose to transact such as our distributor mobile app, stock exchanges, channel partners, MF Utility, MF Central, and websites/mobile apps of mutual fund distributors and advisors. Our efforts to enable, support and encourage digital transactions have resulted in a substantial increase in digital transactions, which now dominate our business transactions.

We measure our service delivery and quality based on multiple parameters such as turnaround time, repeat complaints, escalations, which are evaluated periodically to provide and improve the seamless service we offer our customers and business partners.

We engage with customers for feedback and also communicate with them to comply with changing regulatory requirements. Customer complaints/grievances are reviewed for a root cause analysis, giving us an opportunity to improve.

We also connect with distributors to share information on regulatory and process changes through the service relationship managers. We have also gathered their feedback on service delivery this year through an IVR CSAT (Interactive Voice Response Customer Satisfaction) feature. The survey is conducted by call centres to record the experience of the investor in real time. Once the query is resolved, the customer can rate their experience on the call via a short IVR survey. As a follow-up activity, those who have provided low ratings are contacted to seek feedback on improvement areas.

Customer delight can only be delivered if we work in cohesion, and our collective endeavour is to place the customer at the heart of our business.

Our digital team has undertaken multiple initiatives to ensure our website and mobile apps provide best-in-class services to our stakeholders. The pandemic has accelerated our digital footprint and the ensuing year will see us invest more in enhancing customer convenience and experience.

One of the key measures of customer satisfaction is how our focus on continuously improving our processes based on issues faced by customers have led to a progressive decline in complaints.

| Year | Complaints as a % of transactions |
|---|---|
| FY 17-18 | 0.014 |
| FY 18-19 | 0.012 |
| FY 19-20 | 0.009 |
| FY 20-21 | 0.006 |
| FY 21-22 | 0.006 |
| FY 22-23 | 0.003 |

## N. Training

HDFC LEAP, our proprietary learning and development enterprise has always prioritised the education and training for our investors and distributors as we believe that learning is a continuous process and we need to empower our stakeholders through knowledge-sharing. We undertook various training initiatives during the year to affirm this belief.

Our prime focus is to promote investor education and awareness and helping our distributors in skill enhancement.

We have taken a comprehensive approach this year by blending technical programmes with experiential learning. We have also used a lot of game / activity-based simulations, as these methods are known to improve engagement and retention amongst learners.

During FY 22-23, we conducted 967 distributor training/awareness sessions (200 soft-skills and 767 technical programmes) with over 100 + speakers covering a wide range of topics that attracted over 1 Lakh participants. We have widened our reach to various investor and distributor segments. We have introduced a few unique programmes. These include:

Soft-Skills workshops/Experiential Workshops– To develop interpersonal, communication and presentation skills and helping harness emotional intelligence that help survivorship of investors and distributors in volatile markets.

- **The Selling Secret of Getting a Yes:** The workshop helped explore factors that affect the decisions that people make, and use them to their advantage when trying to persuade prospective clients to take a specific buying decision.
- **Script Your Sales Success Story:** This workshop deals with several crucial elements of communication that are involved in the sales process.
- **Fire walk:** This workshop is ideal for those who want to break through barriers and take their performance to the next level.
- **Go Beyond:** A unique programme where the learning happens through game-based simulations.
- **You are a Hero:** This programme is designed to help people experience a source of high energy and encourage them to break their limiting beliefs.

**Technical Workshops:** To develop market knowledge and give overall market perspective to our investors and distributors.

- **Mission to Mars:** Spreading financial literacy among school students aged between 9-16 years. We successfully executed this module among school children, of whom many were the children of our distributors and clients.
- **Fem-power**: An investor education initiative that focuses on women investors and their specific financial needs and goals.
- **War, Interest Rate and Beyond:** This programme talks about the Russia–Ukraine war and its impact on the global market and Indian markets and interest rates as a whole.
- **Market, Economy and Asset Allocation**: The focus of this programme is on educating our investors and distributors on various asset classes.

**Skill-enhancement workshops:** Focused on providing opportunity to our distributors to strengthen their skills and domain knowledge. Some of these were:

- **NISM workshops:** 50+ workshops have been conducted in the financial year covering over 2,000 distributors.
- Masterclass certification programmes with leading industry experts.
- **HDFC AMC Certification:** Workshops and certification programmes were conducted for various distributors.

## O. Social initiatives

Read more on **page 29** of this report

## P. Risks and threats

One of the key risks to business is disruptions in the technology infrastructure due to technology advancements or cyber-attacks. As majority of the transactions today are processed digitally, any interruption is likely to adversely impact business. We continue to channel substantial investments into bolstering our technological infrastructure to enable it to handle interruptions. Our Company maintains a robust cyber security architecture and has in place a cyber resilience framework to protect the integrity of data and guard against privacy breaches.

The schemes and other investment products are subject to various market related risk such as Investment Risk, Credit Risk, Liquidity Risk and Governance and Compliance Risk. In case the schemes and other investment products underperform, the existing customers may redeem or withdraw their investments and shift to some other products. The growth of the business is contingent not only on our performance but also on the overall economy, the growth rate of the country, household savings rates and consumer attitude towards financial savings. Any adverse market rate fluctuations and/or adverse economic conditions could affect the business in many ways, including by reducing the value of our AUM, leading to a decline in revenue. To manage various market-related risks, our Company has a well-documented Investment manual covering Investment Philosophy, Investment and Research Process, Credit Limit and Credit Monitoring Procedure. The Risk Management closely monitors the portfolio for adequacy of portfolio liquidity, stress and credit events and to generate early warning signal. The Investment Committee reviews the performance of the schemes and also monitors all scheme-related risks. Instance of breaches or early warning signals generated are flagged to the Investment Committee and Risk Management Committee on a regular basis. However, regardless of how risks are managed, schemes and other investment products carry their own risks.

Our reputation is linked to the strength of the HDFC brand and reputation. While our brand is well-recognised, we may be vulnerable to adverse market and customer perception, particularly in an industry where integrity, trust and customer confidence are paramount. Again, the regulatory environment in which we operate is also prone to changes, and any violation/breach in the regulation can adversely impact the reputation of our Company. This could have a negative effect on revenue and margins. In order to mitigate the compliance and reputation risks, we have a well-defined process of identifying the actionable/impact of the change in the regulation and the status around the same is also reported to the Board. In case of any material ambiguity in the interpretation of the law, the same is also discussed with regulator or obtains an opinion from external lawyers to confirm the understanding. Internal auditors have been appointed to review activities and report their findings to the Board. They also periodically audit/review statutory compliance reports as per the mandate. However, we ensure that we comply with all applicable laws, any failure in detecting errors in our statutory records or errors or omissions in our business operations could expose us to potential losses.

# Directors' Report

**To the Members**

Your Directors have the pleasure in presenting the Twenty-Fourth Annual Report together with the Audited Accounts of your Company for the financial year ended March 31, 2023.

## Financial Results

The financial performance of your Company for the financial year ended March 31, 2023 is summarised as below:

(₹ in Crore)

| Financial Results | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| Profit before Tax | 1,870.61 | 1,855.29 |
| Less: Provision for Tax (Net of Deferred Tax) | 446.69 | 462.16 |
| **Profit after Tax** | **1,423.92** | **1,393.13** |
| Add/(Less): Other Comprehensive Income (Net of Tax) | 0.42 | 0.49 |
| **Total Comprehensive Income (A)** | **1,424.34** | **1,393.62** |
| **Balance of Retained earnings carried forward from previous year** | **4,531.82** | **3,862.63** |
| Less: Equity Dividend Paid for earlier year | 895.86 | 724.43 |
| **Total (B)** | **3,635.96** | **3,138.20** |
| **Balance of Retained Earnings Carried to Balance Sheet (A+B)** | **5,060.30** | **4,531.82** |

For the year ended March 31, 2023, your Company posted a net profit of ₹ 1,423.92 Crore as against ₹ 1,393.13 Crore in the previous year. Appropriations from the net profit have been effected as per the summary given above.

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

## Dividend

Your Directors recommend payment of dividend of ₹ 48/- per equity share (960%) of face value of ₹ 5/- each for the financial year ended March 31, 2023 as against ₹ 42/- (840%) per equity share of face value of ₹ 5/- each for the previous year.

The dividend pay-out ratio for the proposed dividend for the year ended March 31, 2023 is 71.95%.

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

## Management Discussion and Analysis Report, Report of the Directors on Corporate Governance and Business Responsibility and Sustainability Report

Management Discussion and Analysis Report and the Report of the Directors on Corporate Governance form part of this report.

Further, pursuant to Regulation 34(2)(f) of the SEBI Listing Regulations, the Company has published the Business Responsibility and Sustainability Report for the financial year ended March 31, 2023, which also forms a part of the report.

## Transfer to Reserves

There is no amount proposed to be transferred to the reserves. For complete details on movement in Reserves and Surplus during the financial year ended March 31, 2023, please refer to the Statement of Changes in Equity included in the financial statements.

## Capital Structure

During the year, your Company issued and allotted 1,46,164 equity shares of ₹ 5/- each of the Company to eligible employees on exercise of stock options granted under Employee Stock Option Scheme of the Company.





Consequently, the issued, subscribed and paid-up equity share capital increased from ₹ 1,06,63,92,760/- represented by 21,32,78,552 equity shares of ₹ 5/- each as on April 1, 2022 to ₹ 1,06,71,23,580/- represented by 21,34,24,716 equity shares of ₹ 5/- each as on March 31, 2023.

During the year under review, the Company has not issued any:

(a) shares with differential rights as to dividend, voting or otherwise.

(b) sweat equity shares.

## Review of Operations

Assets under Management (AUM)* of HDFC Mutual Fund ("HDFC MF") at the close of FY 2022-23 was ₹ 4.37 Lakh Crore as against an AUM of ₹ 4.08 Lakh Crore at the close of FY 2021-22, an increase of 7%. Total AAAUM was at ₹ 4.36 Lakh Crore versus ₹ 4.34 Lakh Crore as of March 31, 2022. HDFC MF is one of India's largest mutual funds in terms of total AUM with a market share of 11.1% based on closing AUM. It is also one of the largest mutual funds in terms of actively managed equity-oriented funds, with a market share of 11.9%. The actively managed equity-oriented AUM at the close of FY 22-23 was ₹ 2.32 Lakh Crore as against ₹ 2.00 Lakh Crore at the close of FY 21-22, an increase of 16%. The actively managed equity-oriented annual average AUM constituted 50% of the total annual average AUM and increased by 15% to ₹ 2.17 Lakh Crore.

Your Company managed 114 Lakh live accounts as on March 31, 2023, predominantly those of individual (retail) unitholders. The Individual monthly average AUM as a percent of total monthly average AUM as of March 2023 was 67.2% as against 62.4% as of March 2022. Your Company has established a strong and wide network of Investor Service Centres (ISCs) rendering services to its unit holders located at various locations across the country. Your Company has 228 branches as on March 31, 2023. ISCs of Computer Age Management Services Ltd. (CAMS), the Registrar and Transfer Agent of HDFC MF, are Official Points of Acceptance for transactions of Schemes of HDFC MF. These offices supplement the investor servicing network of your Company. Your Company services unitholders and over 75,000 empanelled distributors.

Your Company is one of the most preferred choices for individual investors, with a market share in assets from individual investors at 12.9%. Of the 3.77 Crore unique investors in mutual funds in India (as identified by PAN//PEKRN), we enjoy trust of 66 Lakh investors, a market penetration of 18%. Your Company's offering of systematic transactions further enhances its appeal to individual investors looking to invest periodically in a disciplined and risk-mitigating manner. Your Company processed ₹ 17,383 Crore through systematic transactions from April 2022 to March 2023. These monthly flows provide a strong and stable "order book", provide predictable flows, with 86% of live systematic investment plans (SIPs) subscribed for a tenure of more than 5 years. Your Company also provides portfolio management and segregated account services, including discretionary, non-discretionary and advisory services, to high net worth individuals (HNIs), family offices, domestic corporates, trusts, provident funds and domestic & global institutions. As on March 31, 2023, the aggregate assets under these services were at ₹ 1,825 Crore. We announced first close of our HDFC AMC Select AIF FOF on March 31, 2023 with commitments adding up to ₹ 400 Crore.

### Schemes Launched

Following new schemes were launched during the financial year –

1. HDFC FMP 1158D July 2022
2. HDFC NIFTY 100 ETF
3. HDFC NIFTY NEXT 50 ETF
4. HDFC FMP 1406D August 2022
5. HDFC Silver ETF
6. HDFC NIFTY Growth Sectors 15 ETF
7. HDFC NIFTY100 Quality 30 ETF
8. HDFC NIFTY50 Value 20 ETF
9. HDFC NIFTY100 Low Volatility 30 ETF
10. HDFC NIFTY200 Momentum 30 ETF
11. HDFC FMP 1359D September 2022
12. HDFC Silver ETF Fund of Fund
13. HDFC NIFTY G-Sec Dec 2026 Index Fund
14. HDFC NIFTY G-Sec July 2031 Index Fund
15. HDFC NIFTY IT ETF
16. HDFC NIFTY Private Bank ETF
17. HDFC Business Cycle Fund
18. HDFC NIFTY G-Sec Jun 2027 Index Fund
19. HDFC NIFTY G-Sec Sep 2032 Index Fund
20. HDFC FMP 1204D December 2022
21. HDFC Long Duration Debt Fund
22. HDFC S&P BSE 500 ETF
23. HDFC NIFTY Midcap 150 ETF
24. HDFC NIFTY Smallcap 250 ETF
25. HDFC FMP 2638D February 2023
26. HDFC Nifty SDL Oct 2026 Index Fund
27. HDFC MNC Fund
28. HDFC Nifty G-Sec Apr 2029 Index Fund
29. HDFC Nifty G-Sec Jun 2036 Index Fund
30. HDFC FMP 1269D March 2023
31. HDFC NIFTY SDL Plus G-Sec Jun 2027 40:60 Index Fund

Mergers of the following schemes were also announced:

HDFC FMP 1381D September 2018 (1) and HDFC FMP 1372D September 2018 (1) into HDFC Corporate Bond Fund and HDFC FMP 1344D October 2018 (1) into HDFC Medium Term Debt Fund vide notice and addendum dated May 16, 2022.

* For details on Mutual Fund AUM, refer Page 6.

## Review of Subsidiary Company

Your Company had incorporated a wholly owned subsidiary company - HDFC AMC International (IFSC) Limited ("HDFC IFSC" or the "Fund Management Entity" or the "FME") in Gujarat International Finance Tec-City (Gift City), Gandhinagar, Gujarat on May 27, 2022 for providing investment management, advisory and related services. During the year, the FME has received an in-principle approval from International Financial Services Centres Authority ('IFSCA') for registration under Registered Fund Management Entity (Retail) category and is in process of fulfilling the requirements for obtaining a certificate of registration from IFSCA and pursuant to which the FME will commence its business operations with initial plans of managing funds which would primarily be feeders into certain domestic mutual fund schemes and/or ETFs in India.

Accordingly, the Board at its meeting held on April 25, 2023, inter alia, approved the audited financial statements including the consolidated financial statements of the Company for the financial year ended March 31, 2023 subject to approval of members of the Company.

In accordance with the provisions of Section 136 of the Companies Act, 2013 ("the Act"), the annual report of the Company, the annual financial statements and the related documents of the HDFC IFSC are placed on the website of the Company. Shareholders may download the annual financial statements referred above from the Company's website or may write to the Company for the same. Further, the documents shall also be available for inspection by the shareholders at the registered office of the Company.

Pursuant to Section 129(3) of the Act, a statement containing salient features of the financial statements of the subsidiary in the prescribed Form AOC-1 forms part of the financial statements.

Except for the above subsidiary, your Company does not have any other subsidiary or an associate company or a joint venture company during the year under review.

## Information on Promoter Companies

### Amalgamation of Housing Development Finance Corporation Limited, Holding Company

During the year, the composite scheme of amalgamation ("Scheme") for the amalgamation of: (i) HDFC Investments Limited and HDFC Holdings Limited, wholly-owned subsidiaries of Housing Development Finance Corporation Limited ("HDFC Limited") with and into HDFC Limited; and (ii) HDFC Limited with and into HDFC Bank Limited ("HDFC Bank") under Sections 230 to 232 of the Companies Act, 2013, was filed with Hon'ble National Company Law Tribunal, Mumbai Bench, Mumbai ("NCLT").

On March 17, 2023, Final Order was passed by NCLT sanctioning the said Scheme. Basis the above, the Company has made final application to SEBI for change in control of the Company/ change in co-sponsor(s)/promoter under SEBI (Mutual Funds) Regulations, 1996, SEBI (Portfolio Manager) Regulations, 2020 and SEBI (Alternative Investment Funds) Regulations, 2012, as applicable.

### Stake sale by abrdn Investment Management Limited

During the year, your Company was in receipt of letter from abrdn Investment Management Limited ("abrdn"), one of the promoters holding 10.21% of the paid-up share capital of the Company, intimating their intention to sell the entire stake in the Company subject to applicable SEBI (Mutual Funds) Regulations, 1996 ("SEBI MF Regulations"). In this connection, SEBI had granted its approval permitting abrdn to reduce its shareholding in the Company to less than 10%, subject to the Company complying with the requirements specified under SEBI MF Regulations. Your Company has complied with the above requirements and abrdn can now reduce its stake in the Company thereby ceasing to be the co-sponsor of HDFC Mutual Fund.

## Directors and Key Managerial Personnel

### Non-Executive Directors

In accordance with the provisions of Section 152 of the Act, Mr. Keki Mistry (DIN: 00008886), Non-Executive Director, will retire by rotation at the ensuing Annual General Meeting (AGM) of the Company. Mr. Mistry, who is eligible for reappointment, has conveyed that he does not intend to seek re-appointment and will retire on completion of his current term at the ensuing AGM.

Mr. Mistry has always provided constructive and valuable advice from time to time for business strategy, financial matters and governance perspective for over 15 years as board member of the Company. The Board placed on record its acknowledgement and appreciation for the valuable contributions made by Mr. Mistry.

Necessary proposal to not fill up the vacancy caused by retirement of Mr. Keki Mistry has been placed for your approval at the ensuing AGM.

During the year, Mr. Rushad Abadan (DIN: 08035538), Non- Executive Director of the Company, director nominated by abrdn Investment Management Limited (formerly Standard Life Investments Limited) (AIML), one of the Promoters of the Company, has resigned as Director of the Company with effect from close of business hours of April 18, 2023 pursuant to withdrawal of his nomination by AIML.

The Board placed on record its appreciation for the contribution made by Mr. Abadan during his association with the Company.

### Independent Directors

Mr. Shashi Kant Sharma (DIN: 03281847), Independent Director, has resigned as Director of the Company with effect from April 11, 2022 as he was not in a position to devote adequate time to the affairs of the Company due to his pre-occupation.

The Board placed on record its appreciation for the contribution made by Mr. Sharma during his association with the Company.

Pursuant to the provisions of Sections 149 and 152 of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014, along with Schedule IV to the Companies Act, 2013 and SEBI Listing Regulations, Mr. Dhruv Kaji (DIN: 00192559), Mr. Jairaj Purandare (DIN: 00159886), Mr. Sanjay Bhandarkar (DIN: 01260274), Mr. Parag Shah (DIN: 00374944) and Ms. Roshni Nadar Malhotra (DIN: 02346621), Independent Directors, were appointed at the AGM of the members held on July 16, 2019, to hold office for a term of 5 consecutive years not liable to retire by rotation, on the Board of your Company. Thus, the current term of Mr. Kaji, Mr. Purandare and Mr. Bhandarkar as Independent Directors of the Company ends on October 30, 2023 and of Mr. Shah and Ms. Nadar as Independent Directors of the Company ends on January 21, 2024 and April 26, 2024, respectively.

Considering their skills, background, experience, integrity, knowledge, expertise and contributions made over last four years as Independent Directors of the Company and on the basis of their performance evaluation, the Board believes that their continued association as Independent Directors would be of immense benefit to the Company. Accordingly, the Board of Directors of the Company based on the recommendation of the Nomination & Remuneration Committee, re-appointed all the aforementioned directors as Independent Directors of the Company for a second term of five (5) consecutive years commencing from the end of their first tenure respectively subject to the approval of members through special resolutions at the ensuing AGM.

In compliance with the provisions of Regulation 17(1A) of the Listing Regulations, the approval of the members by special resolution is also sought for re-appointing Mr. Kaji, who would be attaining the age of 75 years during his second term of appointment as an Independent Director.

Mr. Dhruv Kaji, Mr. Jairaj Purandare, Mr. Sanjay Bhandarkar, Mr. Parag Shah and Ms. Roshni Nadar Malhotra, Independent Directors, have submitted declarations stating that they meet the criteria of independence as per the provisions of the Act and SEBI Listing Regulations.

All the Independent Directors have also confirmed that in terms of Rule 6(3) of the Companies (Appointment and Qualification of Directors) Rules, 2014, they have registered themselves with the Independent Director's database as prescribed under the Act. Further, in terms of Rule 6(4) of the Companies (Appointment and Qualification of Directors) Rules, 2014, one Independent Director has passed the Online Proficiency Self-Assessment test conducted by Indian Institute of Corporate Affairs (IICA) and the other four Independent Directors were not required to appear for the said test as required by IICA as they fulfil the criteria stipulated under Rule 6(4) of the Companies (Appointment and Qualification of Directors) Rules, 2014.

In the opinion of the Board, the Independent Directors fulfil the conditions specified under the Act, the Rules made thereunder and SEBI Listing Regulations and are independent of the management.

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

### Key Managerial Personnel

In accordance with the provisions of Sections 2(51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, Mr. Navneet Munot, Managing Director & CEO, Mr. Naozad Sirwalla, Chief Financial Officer and Ms. Sylvia Furtado, Company Secretary are the Key Managerial Personnel of the Company.

## Number of meetings of the Board

During the FY 2022-23, 5 (five) meetings of the Board of Directors of your Company were held and the details of Board and Committee meetings held are provided in the Report of the Directors on Corporate Governance, which forms part of this report.

## Annual Evaluation

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

## Nomination & Remuneration Policy

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

## Issue of Employee Stock Options

In line with the practice of incentivizing the employees through issue of stock options, your Company, pursuant to approval granted by the Shareholders of the Company at the AGM held on July 23, 2020, has formulated Employees Stock Option Scheme – 2020 (ESOS – 2020). During the year, the Nomination & Remuneration Committee (NRC) of Board of Directors at its meeting held on July 21, 2022 has granted 50,000 stock options representing 50,000 equity shares of ₹ 5/- each to the eligible employees of your Company as determined by the NRC, under ESOS – 2020 at grant price of ₹ 1,921.70 per option. No employee was issued stock option, during the year equal to or exceeding 1% of the issued capital of the Company at the time of grant.

Your Company has also granted stock options to the employees in the past under various employee stock option schemes viz. Employee Stock Option Scheme(s) 2015 - Series I & III and 2017 - Series I & II ("Schemes") formulated from time to time for the purpose of administering the issue of stock options to the eligible employees of your Company. There has been no material variation in the terms of the options granted under any of these Schemes and all the Schemes are in compliance with the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("ESOP Regulations"). However, the above Schemes formulated prior to IPO by your Company, were aligned with the ESOP Regulations. Your Company will not make any fresh grant of stock options under these aforesaid Schemes.

Disclosures as required under the ESOP Regulations have been placed on the website of the Company at www.hdfcfund.com.

Further, the certificate required under Regulation 13 of the ESOP Regulations from the Secretarial Auditor of the Company that all the employee stock option schemes have been implemented in accordance with the ESOP Regulations will be available at the ensuing AGM for inspection.

## Auditors and Auditor's Report

### Statutory Auditors

In terms of Section 139 of the Act read with the Companies (Audit and Auditors) Rules, 2014, M/s. B S R & Co. LLP, Chartered Accountants (ICAI FRN: 101248W/W-100022) were re-appointed as the Statutory Auditors of your Company for a period of 5 continuous years i.e. from the conclusion of 23rd AGM till the conclusion of 28th AGM of the Company.

The Auditor's Report on the financial statements of the Company for the financial year ended March 31, 2023 forms part of the Annual Report.

### Secretarial Auditor

Pursuant to the provisions of Section 204 of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Company has appointed M/s. Bhandari & Associates, Company Secretaries to conduct the Secretarial Audit of your Company for the FY 2022-23. The Secretarial Audit Report is annexed herewith as **Annexure I** to this report.

There were no qualifications, reservations or adverse comments or disclaimer made by the aforesaid Auditors in their audit reports.

The said Auditors of the Company have not reported any fraud as specified under Section 143(12) of the Act.

### Internal Auditors

M/s. Deloitte Touche Tohmatsu India LLP, were appointed as Internal Auditors of your Company for the financial year 2022-23.

## Risk Management Policy

The Risk Management Policy of your Company, reviewed by the Audit Committee and approved by the Board, provides for the Enterprise Risk Management (ERM) framework to identify, assess, monitor and mitigate various business risks. This framework incorporates the checks, process and procedures to identify potential risks in the investment and operational areas of the business and minimise their impact through necessary control on your Company. The framework is designed to identify risks, assess their likelihood and impact, ensure the review of mitigation measures and requires reporting on a regular basis. The Risk Management Committee and Audit Committee of the Board of Directors at their meetings periodically reviews the functioning of the ERM.

The Company has a strong Cyber Risk Management framework wherein cyber risk and mitigation controls are monitored by Information Technology and Security Committee and Risk Management Committee of the Company. Key areas covered under the Cyber Risk Management are strong adherence to the Board approved Information and Cyber Security Policies, SEBI guidelines and ISO 27001:2013. The Company maintains robust cyber security posture to protect the confidentiality and integrity of data.

SEBI vide its circular no. SEBI/HO/IMD/IMD-1DOF2/P/CIR/2021/630 dated September 27, 2021, revised Risk Management Framework (RMF) for mutual funds. As per the said SEBI circular, HDFC Mutual Fund have adopted a Risk Management Framework with effect from April 1, 2022. As part of the framework, Risk Management function has incorporated policies, procedures, roles & responsibilities of the management, the Board of the Company and the Board of HDFC Trustee Company Ltd. The Board of your Company has approved the Risk Management framework, revised few policies in line with the said SEBI circular and has implemented risk measures outlined in the said circular. The terms of reference of the Risk Management Committee has been enhanced in line with requirements of the said SEBI circular as its main function is to oversee the risks associated with the business of mutual fund at the enterprise level, regulatory, compliance, operation and other functions of Company.

## Adequacy of Internal Controls

Your Company has internal control systems which are commensurate with the size and complexity of its operations.

The internal control systems comprise of standardised policies and procedures covering all functional areas aimed at ensuring sound management of operations, reliable financial reporting, safeguarding of assets and prevention and detection of frauds and errors. The Audit Committee of the Board of Directors, at regular intervals and in co-ordination with Internal and Statutory Auditors, reviews the adequacy of Internal Controls within your Company.

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

## Corporate Social Responsibility

In terms of Section 135 of the Companies Act, 2013, your Company has formed a Corporate Social Responsibility (CSR) Committee to approve activities to be undertaken, expenditure to be incurred and to monitor the performance of the CSR activities undertaken by the Company. During the year the CSR Committee was renamed as 'Environmental, Social & Governance and Corporate Social Responsibility (ESG & CSR) Committee'. Pursuant to which the ESG & CSR Committee will now in addition to reviewing and overseeing the CSR activities of the Company will also oversee the development and implementation of the Company's Environmental, Social & Governance framework.

The ESG & CSR Committee comprises Mr. Deepak Parekh (Chairman), Mr. Parag Shah and Mr. Navneet Munot. The Company Secretary acts as the secretary to the Committee.

The Company undertakes its CSR activities through a variety of effective programs. The major thrust of the CSR activities of the Company is in the areas of promoting education and health care. The Company also undertakes CSR activities in the areas of promoting sports and environment sustainability. These activities are in accordance with the Schedule VII to the Companies Act, 2013.

The Board of Directors and the ESG & CSR Committee review and monitor from time to time all the CSR activities being undertaken by the Company.

The annual report on CSR activities in accordance with the Companies (Corporate Social Responsibility Policy) Rules, 2014 as amended, is set out at **Annexure II** to this report.

During the year, the Company has fully spent the required amount towards CSR activities.

The composition of the ESG & CSR Committee, CSR Policy as well as the CSR activities undertaken by the Company is available on the Company's website at https://www.hdfcfund.com/about-us/corporate-profile/csr.

## Particulars of contracts or arrangements with Related Parties

During the year Company, your Company has entered into transactions with related parties as defined under Section 2(76) of the Act read with Companies (Specification of Definitions Details) Rules, 2014, SEBI Listing Regulations and applicable Accounting Standards, which were in the ordinary course of business and on arms' length basis and in accordance with the policy on Related Party Transactions of the Company.

The Policy ensures proper approval and reporting of the concerned transactions between the Company and related parties.

The policy on Related Party Transactions is placed on the Company's website at https://www.hdfcfund.com/about-us/corporate-governance/code-policy.

During the year, there was no material transaction with any related parties as per the Related Party Transactions Policy of the Company and or any other related party transaction entered into by the Company that requires disclosure in Form AOC-2, hence, disclosure in Form AOC-2 is not applicable to the Company.

The disclosures pertaining to related party transactions as per the applicable Accounting Standards form part of the notes to the financial statements provided in this Annual Report.

## Particulars of Loans, Guarantees or Investments

Details of loans, guarantees and investments, if any, covered under the provisions of Section 186 of the Companies Act, 2013 are provided in the notes to financial statements.

## Deposits

During the year, your Company has not accepted any deposits within the meaning of Sections 73 and 74 of the Act read together with the Companies (Acceptance of Deposits) Rules, 2014.

## Unclaimed Dividend on Shares

As at March 31, 2023, unclaimed dividend amounting to ₹ 69,82,410/- which has not been claimed by shareholders of the Company and is lying in the respective Unpaid Dividend Accounts of the Company.

Your Company has disclosed the statement containing the names, last known addresses of those shareholders whose dividend is unpaid on the Company's website at www.hdfcfund.com.

## Annual Return

Pursuant to Section 92(3) read with Section 134(3)(a) of the Act, the Annual Return as on the financial year ended March 31, 2023 is placed on the Company's website at https://www.hdfcfund.com/about-us/financial/annual-reports.

## Vigil Mechanism/Whistle Blower Policy

Whistle Blower Policy is in place and details of the same are provided in the Report of the Directors on Corporate Governance, which forms part of this report.

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

The information pertaining to the conservation of energy and technology absorption in terms of Section 134(3)(m) of the Act, read with the Companies (Accounts) Rules, 2014 is stated as below:

**(a) Conservation of energy and technology absorption**

Your Company is in financial services industry and does not consume high levels of energy. However, regular efforts are made to adopt appropriate energy conservation measures and technology absorption methods.

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

- Foreign exchange (earnings): ₹ 3.31 Crore (previous year: ₹ 9.59 Crore)
- Foreign exchange (expenditure): ₹ 10.06 Crore (previous year: ₹ 14.88 Crore)

## Particulars of Employees

As on March 31, 2023, your Company has 1281 employees and for the previous year, your Company had 1,187 employees.

In accordance with the provisions of Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the names and particulars of the top ten employees in terms of remuneration drawn are set out in the annexure to this report. In terms of the provisions of Section 136(1) of the Act, the Directors' Report is being sent to all shareholders of the Company excluding the annexure. Any shareholder interested in obtaining a copy of the annexure may write to the Company.

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

## Other Disclosures

- There was no change in the nature of the business of the Company.
- There was no revision in the financial statements of the Company.
- During the year, there was no receipt of any remuneration or commission by the Managing Director & CEO of the Company from its Holding Company and Subsidiary Company.
- Disclosure pertaining to maintenance of cost records as specified by the Central Government under sub-section (1) of Section 148 of the Act, is not applicable to your Company.
- There was no application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 during the year.
- There was no one-time settlement entered into with any Bank or financial institutions in respect of any loan taken by the Company.
- Details of the Audit Committee of the Board of Directors including its composition are provided in the Report of the Directors on Corporate Governance, which forms part of this report.





## Directors' Responsibility Statement

In accordance with the provisions of Section 134(5) of the Act and based on the information provided by the management, your Directors state that:

(i) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(ii) Accounting policies selected were applied consistently. Reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of March 31, 2023 and of the profit of the Company for year ended on that date;

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

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

(v) Internal financial controls have been laid down to be followed by the Company and such internal financial controls are adequate and operating effectively; and

(vi) Proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## Secretarial Standards

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

## Prevention of Sexual Harassment Policy and its Reporting

Your Company has framed and implemented a Policy on Sexual Harassment of Women at Workplace aiming at prevention of harassment of employees which lays down the guidelines for identification, reporting and prevention of undesired behaviour. 6 (six) Internal Committees (IC) for different zones were constituted in accordance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 with women employees being a majority and an external member. The Policy, IC Members' details and the penal consequences of violating the said Act/Policy are displayed at all offices/ISCs and on the intranet of the Company. Regular employee awareness sessions are conducted to generate awareness about the policy, reporting mechanism and prevention of sexual harassment at the workplace. During the year, the IC received no complaint pertaining to sexual harassment.

## Significant/Material orders passed by the Regulators

There are no significant and material orders by any regulator, court, tribunal impacting the going concern status of the Company and its operations in future.

## Material changes and commitments, if any, affecting the financial position of the Company from the financial year end till the date of this report

There have been no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year 2022-23 and the date of this Report.

## Acknowledgements

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

The Directors acknowledge the valuable assistance, support and guidance given by the Securities and Exchange Board of India, Association of Mutual Funds of India, Reserve Bank of India, Ministry of Corporate Affairs, Registrar of Companies, Stock Exchanges and Depositories.

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

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

On behalf of the Board of Directors

**Deepak S. Parekh**
Chairman
(DIN: 00009078)

Mumbai
May 30, 2023

CIN: L65991MH1999PLC123027
**Registered Office:**
"HDFC House", 2nd Floor, H. T. Parekh Marg
165 - 166, Backbay Reclamation, Churchgate
Mumbai – 400 020.
Tel.: 022 – 6631 6333, Fax: 022 – 66580203

**Annexure I**

# Secretarial Audit Report

**For the financial year ended 31st March, 2023**

*[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

To
The Members,
**HDFC Asset Management Company Limited**
**CIN: L65991MH1999PLC123027**

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **HDFC Asset Management Company Limited** (hereinafter called "the Company"). Secretarial audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **March 31, 2023** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2023 according to the provisions of:

i. The Companies Act, 2013 (the Act) and the rules made thereunder;

ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;

iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment. The Company does not have any External Commercial Borrowings during the financial year.

v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

  a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

  b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

  c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018#;

  d. The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;

  e. The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021#;

  f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act, 2013 and dealing with client;

  g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021#; and

  h. The Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018#;

# The Regulations or Guidelines, as the case may be were not applicable to the Company for the period under review.

The list of Acts, Laws and Regulations specifically applicable to the Company are given below:

vi. The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended;

vii. The Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020;

viii. The Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.

We have also examined compliance with the applicable clauses of the following:

i. Secretarial Standards issued by the Institute of Company Secretaries of India.

ii. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above to the extent applicable.

**We further report that -**

The Board of Directors of the Company is duly constituted with proper balance of Executive Director, Non-Executive and Independent Directors. Further the changes in the composition of the Board of Directors, that took place during the period under review, were carried out in compliance with the provision of the Act.

Adequate notice was given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

During the period under review, decisions were carried through unanimously and no dissenting views were observed, while reviewing the minutes.

**We further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that** during the audit period the Company has incorporated a Wholly Owned Subsidiary namely "HDFC AMC International (IFSC) Limited" in Gujarat International Finance Tec-City (Gift City), Gandhinagar, Gujarat for the purpose of, inter-alia, undertaking the business of acting as an Investment Manager to the scheme(s) to be launched under Alternative Investment Fund (AIFs), Mutual Fund schemes, acting as an investment manager to international funds; providing portfolio management services as well as investment advisory services and offer separately managed accounts; as may be mandated under the applicable regulations by International Financial Services Centres Authority.

For **Bhandari & Associates**
Company Secretaries
Firm Registration No.: P1981MH043700

**S. N. Bhandari**
Partner
FCS No.: 761; C P No.: 366
Mumbai | April 25, 2023
UDIN: F000761E000183284

This report is to be read with our letter of even date which is annexed as **Annexure 'A'** and forms an integral part of this report.

**'Annexure A'**

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

Our Secretarial Audit Report for the financial year ended on March 31, 2023 of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **Bhandari & Associates**
Company Secretaries
Firm Registration No.: P1981MH043700

**S. N. Bhandari**
Partner
FCS No.: 761; CP. No.: 366
Mumbai | April 25, 2023
UDIN: F000761E000183284





**Annexure II**

# Annual Report on Corporate Social Responsibility Activities

As prescribed under Section 135 of the Companies Act, 2013
and Companies (Corporate Social Responsibility Policy) Rules, 2014

1. **Brief outline on CSR Policy of the Company:** The Company carries its Corporate Social Responsibility ('CSR') activities through various implementing agencies. The details of the Company's CSR Initiatives project/programs and activities are provided in this annexure and more particularly specified in the CSR Policy of the Company which is uploaded on its website and can be viewed on https://www.hdfcfund.com/about-us/corporate-profile/csr.

2. **Composition of Environmental, Social & Governance and Corporate Social Responsibility ('ESG & CSR') Committee:**

| Sl. No. | Name of Director | Designation/ Nature of Directorship | Number of meetings of ESG & CSR Committee held during the year | Number of meetings of ESG & CSR Committee attended during the year |
|---|---|---|---|---|
| 1. | Mr. Deepak Parekh | Chairman | 2 | 2 |
| 2. | Mr. Parag Shah | Independent Director | 2 | 2 |
| 3. | Mr. Navneet Munot | Managing Director & Chief Executive Officer | 2 | 2 |

3. **Provide the web-link(s) where composition of ESG & CSR Committee, CSR Policy and CSR Projects approved by the board are disclosed on the website of the company:** https://www.hdfcfund.com/about-us/corporate-profile/csr

4. **Provide the executive summary along with web-link(s) of Impact Assessment of CSR Projects carried out in pursuance of sub-rule (3) of rule 8, if applicable:** The Company in line with sub rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, has initiated steps to conduct impact assessment of CSR Projects through an independent agency for applicable projects. However, one year has not elapsed for any project towards which CSR contribution was made by the Company.

5. **(a) Average net profit of the company as per sub-section (5) of section 135.:** ₹ 15,83,95,02,745/-

   **(b) Two percent of average net profit of the company as per sub-section (5) of section 135.:** ₹ 31,67,90,055/-

   **(c) Surplus arising out of the CSR Projects or programmes or activities of the previous financial years.:** NIL

   **(d) Amount required to be set-off for the financial year, if any.:** NIL

   **(e) Total CSR obligation for the financial year [(b)+(c)-(d)].:** ₹ 31,67,90,055/-

6. **(a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project).:** ₹ 31,48,93,342/-

   **(i) Details of CSR amount spent against ongoing projects for the financial year:** NIL

   **(ii) Details of CSR amount spent against other than ongoing projects for the financial year:** ₹ 31,48,93,342/-

   **(b) Amount spent in Administrative Overheads.:** ₹ 18,96,713/-

   **(c) Amount spent on Impact Assessment, if applicable:** NA

   **(d) Total amount spent for the Financial Year [(a)+(b)+(c)].:** ₹ 31,67,90,055/-

   **(e) CSR amount spent or unspent for the Financial Year:**

| Total Amount Spent for the Financial Year | Amount Unspent (in ₹) | | | | |
|---|---|---|---|---|---|
| | Total Amount transferred to Unspent CSR Account as per sub-section (6) of section 135. | | Amount transferred to any fund specified under Schedule VII as per second proviso to sub-section (5) of section 135 | | |
| | Amount. | Date of transfer. | Name of the Fund | Amount | Date of transfer |
| ₹ 31,67,90,055/-* | NIL | NA | - | - | - |

* This amount includes: (i) amounts spent for other projects (₹ 31,48,93,342/-) and (ii) amount spent as administrative charges (₹18,96,713).

(f) **Excess amount for set-off, if any:** NIL

| 1 Sl. No. | 2 Particulars | 3 Amount |
|---|---|---|
| i. | Two percent of average net profit of the company as per sub-section (5) of section 135 | ₹ 31,67,90,055/- |
| ii. | Total amount spent for the Financial Year | ₹ 31,67,90,055/- |
| iii. | Excess amount spent for the Financial Year [(ii)-(i)] | NIL |
| iv. | Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any | NIL |
| v. | Amount available for set off in succeeding Financial Years [(iii)-(iv)] | NIL |

7. **Details of Unspent Corporate Social Responsibility amount for the preceeding three Financial Years:**

| 1 | 2 | 3 | 4 | 5 | 6 | | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| Sl. No. | Preceding Financial Year(s) | Amount transferred to Unspent CSR Account under sub-section (6) of section 135 (in ₹) | Balance Amount in Unspent CSR Account under sub-section (6) of section 135 (in ₹) (at the beginning of the reporting financial year) | Amount Spent in the Financial Year (in ₹) | Amount transferred to a Fund as specified under Schedule VII as per second proviso to sub- section (5) of section 135, if any | | Amount remaining to be spent in succeeding Financial Years (in ₹) | Deficiency, if any |
| | | | | | Amount (in ₹) | Date of Transfer | | |
| 1. | FY-2019-20 | NA | NA | NA | NA | NA | NA | NA |
| 2. | FY-2020-21 | ₹ 17,29,60,000/- | ₹ 5,50,00,000/- | ₹ 5,50,00,000/- | NIL | NIL | NIL | NA |
| 3. | FY-2021-22 | ₹ 5,24,43,660/- | ₹ 5,24,43,660/- | ₹ 5,24,43,660/- | NIL | NIL | NIL | NA |

8. **Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year:**

☐ Yes ☐ No

If Yes, enter the number of Capital assets created/acquired: 5

Furnish the details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|
| Sl. No. | Short particulars of the property or asset(s) [including complete address and location of the property] | Pincode of the property or asset(s) | Date of Creation | Amount of CSR amount spent | Details of entity/authority/beneficiary of the Registered owner | | |
| | | | | | CSR Registration Number, if Applicable | Name | Registered Address |
| 1. | **Dharamshala Project** | 400031 | | | | | |
| | a. Loose Furniture | | March 31, 2023 | ₹ 1,65,22,803/- | CSR00004479 | Rotary Club Bombay Charities Trust No. 3 | 97-B, Mittal Tower, Free Press Journal Marg, Nariman Point, Mumbai -400021 |
| | b. Airconditioner on Doctors Floor | | March 13, 2023 | ₹ 5,13,506/- | | | |
| | c. Television & Refrigerator | | March 26, 2023 | ₹ 28,51,200/- | | | |
| | d. 3 Seater Benches in Corridor | | March 25, 2023 | ₹ 1,99,762/- | | | |
| | Address: C.S. No. 223 (Pt) & 1/983 (Pt) of Dadar, Naigaon Division, Wadala, Mumbai | | | | | | |
| | **Total** | | | **₹ 2,00,87,271/-** | | | |





| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|
| Sl. No. | Short particulars of the property or asset(s) [including complete address and location of the property] | Pincode of the property or asset(s) | Date of Creation | Amount of CSR amount spent | Details of entity/authority/beneficiary of the Registered owner | | |
| | | | | | CSR Registration Number, if Applicable | Name | Registered Address |
| 2. | **Ashoka University** | 131029 | Start Date: September 10, 2021 | ₹ 3,00,00,000/- | CSR00000712 | International Foundation for Research and Education | International Foundation for Research and Education (Sponsor body of Ashoka University) Address: No.2 Green Avenue Street, Pocket D3, Vasant Kunj, New Delhi-110070. |
| | **Student Residence Buildings (R1 & R2)** Student Residence Buildings (R1 & R2) situated on the North Campus of Ashoka University Address: Plot No.1A, Rajiv Gandhi Education City, Rai, Sonipat, Haryana-131029. | | | | | | |

(All the fields should be captured as appearing in the revenue record, flat no, house no, Municipal Office/Municipal Corporation/ Gram panchayat are to be specified and also the area of the immovable property as well as boundaries)

9. **Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per subsection (5) of section 135. :** Not Applicable

**Deepak Parekh**
DIN: 00009078
Chairman of ESG & CSR Committee

**Navneet Munot**
DIN: 05247228
Managing Director & Chief Executive Officer

**Annexure III**

# Disclosures on Managerial Remuneration

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

## Ratio of remuneration of each director to the median employees' remuneration for FY 2022-23

| Name | Designation | Ratio of remuneration to the median employees' remuneration |
|---|---|---|
| Mr. Navneet Munot | Managing Director & Chief Executive Officer | 74.4:1 |
| Mr. Deepak Parekh | Non-Executive – Non-Independent Director | 4.1:1 |
| Mr. Keki Mistry | Non-Executive – Non-Independent Director | 3.5:1 |
| Ms. Renu Sud Karnad | Non-Executive – Non-Independent Director | 3.7:1 |
| Mr. Rushad Abadan[1] | Non-Executive – Non-Independent Director | - |
| Mr. Dhruv Kaji | Non-Executive – Independent Director | 4.2:1 |
| Mr. Jairaj Purandare | Non-Executive – Independent Director | 4.2:1 |
| Mr. Sanjay Bhandarkar | Non-Executive – Independent Director | 4.3:1 |
| Mr. Parag Shah | Non-Executive – Independent Director | 3.5:1 |
| Ms. Roshni Nadar Malhotra | Non-Executive – Independent Director | 2.8:1 |
| Mr. Shashi Kant Sharma[2] | Non-Executive – Independent Director | - |

[1] Resigned as the Director of the Company w.e.f. the close of business hours of April 18, 2023.
[2] Resigned as the Director of the Company w.e.f. April 11, 2022.

**Note:**
The Company has considered fixed pay and performance bonus/commission for the computation of ratios. Fixed pay includes – salary, allowances, as well as value of perquisites excluding retrial benefits.

## Percentage increase in the remuneration of each director and key managerial personnel in FY 2022-23

### Key Managerial Personnel

| Name | Designation | Increase in Remuneration (%) |
|---|---|---|
| Mr. Navneet Munot | Managing Director & Chief Executive Officer | 1.64% |
| Mr. Naozad Sirwalla | Chief Financial Officer | Not Comparable[1] |
| Ms. Sylvia Furtado | Company Secretary | 1.60% |

[1] Appointed as Chief Financial Officer of the Company w.e.f. February 1, 2022.

### Non-Executive Directors

There was no change in the sitting fees paid to the Non-Executive Directors for attending meetings of board/committees. However, during the FY 2022-23, the commission payable to each Non-executive Director (other than director nominated by AIML) is ₹ 25 lac as against ₹ 20 lac in the previous FY 2021-22 (increase by 25%) and this Commission will be paid after the financial statements are approved by the Shareholders at the Annual General Meeting to be held on June 26, 2023.

Further, details on remuneration for all the directors are provided in Corporate Governance Report which is a part of this Annual Report.

### Percentage increase in the median remuneration of employees in FY 2022-23

The percentage increase in the median remuneration of employees in FY 2022-23 was 9.04%.

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

The Company had 1,281 permanent employees as of March 31, 2023.

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

The average increase in the salaries of all employees for FY 2022-23 was 9.67%. The average increase in remuneration of managerial personnel was 1.62% and non-managerial personnel was 9.69%.

The criteria for remuneration evaluation for all Non-Managerial Personnel is based on an appraisal process which is conducted on semi-annual basis and the remuneration of the managerial personnel is based as per the Nomination & Remuneration Policy. The increase in remuneration is an outcome of a combination of the overall performance of the Company and individual's performance. The Company reiterates that there were no exceptional circumstances which warranted an increase in managerial remuneration which was not justified by the overall performance of the Company.

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

Yes

# Business Responsibility and Sustainability Report

## Section A- General Disclosures

### I. Details of the listed entity:

| Sr.no | Particulars | Details |
|---|---|---|
| 1 | Corporate Identity Number (CIN) of the Company | L65991MH1999PLC123027 |
| 2 | Name of the Listed Entity | HDFC Asset Management Company Limited ('HDFC AMC'/ the Company') |
| 3 | Year of Incorporation | 1999 |
| 4 | Registered Office Address | HDFC House, 2nd Floor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai – 400 020 |
| 5 | Corporate Address | HDFC House, 2nd Floor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai – 400 020 |
| 6 | E-mail | shareholders.relations@hdfcfund.com |
| 7 | Telephone | +91 22 66316333 |
| 8 | Website | www.hdfcfund.com |
| 9 | Financial Year for which reporting is done | FY 22-23 |
| 10 | Name of the Stock Exchange(s) where shares are listed | BSE Limited (BSE) & National Stock Exchange of India Limited (NSE) |
| 11 | Paid-up Capital | ₹ 106.71 Crore |
| 12 | Name and contact details (telephone, email address) of the person who may be contacted in case of any queries on the BRSR report | Mr. Kartik Parekh<br>Chief Manager- Investor Relations<br>Telephone no- +91 22 66316333<br>E-mail id- kartikp@hdfcfund.com |
| 13 | Reporting boundary | Disclosures made in this report are on a standalone basis and pertains only to HDFC AMC |

### II. Products/Services

### 14. Details of Business Activities

| Sr.no | Description of Main Activity | Description of Business Activity | % of Turnover |
|---|---|---|---|
| 1. | Financial & Insurance Service | Fund Management Services | 99.7 |
| 2. | Financial & Insurance Service | Financial Advisory, Brokerage & Consultancy Services | 0.3 |

### 15. Products/Services sold by the entity

| Sr.no | Product/Service | NIC Code | % of Turnover contributed |
|---|---|---|---|
| 1. | The Company offers a comprehensive suite of savings and investment products ranging from mutual funds, including both actively managed and passive options, to portfolio management services and alternative investment opportunities catering to the needs of a large and diverse customer base. | 65991 | 100% |

### III. Operations

### 16. Number of locations where plants and/or operations/offices of the entity are situated

| Location | Number of Plants | Number of Offices | Total |
|---|---|---|---|
| National | NA* | 227 | 227 |
| International | NA* | 1# | 1 |

*The Company is into financial services and does not undertake any manufacturing activity
# Representative Office in Dubai





### 17. Markets served by the entity

a. Number of locations

| Locations | Number |
|---|---|
| National (No. of States) | 36 |
| International (No. of Countries) | 177 |

b. What is the contribution of exports as a percentage of the total turnover of the entity?

Revenue from outside India contributed 0.15% to the total revenue of FY 22-23

c. A brief on types of customers

The Company offers a comprehensive suite of savings and investment products across asset classes to large and diverse customer base. The Company closed FY 22-23 with 66 Lakh unique customers, 114 Lakh live accounts serviced through 228 branches. Nearly 18% of all MF investors in India are invested with the Company. By Monthly Average Assets Under Management (MAAUM), individual investors and institutional investors contribute about 67% & 33% respectively; around 18% of MAAUM is from B30* cities whereas 82% is from T30* cities. The Company has individual investor monthly average AUM market share of 12.9% for March 2023.

*T30 refers to the top 30 geographical locations in India and B30 refers to the locations beyond the top 30.

### IV. Employees

### 18. Details as at March 31, 2023

a. Employees (including differently abled):

| Particulars | Total (A) | Male | | Female | |
|---|---|---|---|---|---|
| | | No (B) | % (B/A) | No (C) | % (C/A) |
| Permanent* (D) | 1281 | 924 | 72% | 357 | 28% |
| Other than Permanent (E) | 494 | 259 | 52% | 235 | 48% |
| **Total employees (D + E)** | **1775** | **1183** | **67%** | **592** | **33%** |

*active employees + employees serving notice

b. Differently abled employees

| Particulars | Total (A) | Male | | Female | |
|---|---|---|---|---|---|
| | | No (B) | % (B/A) | No (C) | % (C/A) |
| | Differently Abled Employees | | | | |
| Permanent (D) | 2 | 1 | 50% | 1 | 50% |
| Other than Permanent (E) | 1 | 1 | 100% | - | - |
| **Total differently abled employees (D + E)** | **3** | **2** | **67%** | **1** | **33%** |

### 19. Participation/Inclusion/Representation of women

| Particulars | Total (A) | No & % of Females | |
|---|---|---|---|
| | | No (B) | % (B/A) |
| Board of Directors | 10 | 2 | 20.00% |
| Key Management Personnel | 3 | 1 | 33.33% |

Note: Details as at March 31,2023

### 20. Turnover rate for permanent employees and workers

| Particulars | FY 22-23 | | | FY 21-22 | | | FY 20-21 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Permanent Employees | 18% | 24% | 20% | 16% | 23% | 18% | 6% | 8% | 6% |

## Part V: Holding, Subsidiary and Associate Companies (including joint ventures)

### 21. (a) Names of holding / subsidiary / associate companies / joint ventures (As at March 31, 2023)

| Sr.no | Name of the holding / subsidiary / associate companies / joint ventures (A) | Indicate whether holding/ Subsidiary/ Associate/ Joint Venture | % of shares held by listed entity |
|---|---|---|---|
| 1 | Housing Development Finance Corporation Limited (HDFC) | Holding Company | 52.56% |
| 2 | HDFC AMC International (IFSC) Limited | Wholly Owned Subsidiary ('WOS') | 100% |

**Does the entity indicated at column A above, participate in the Business Responsibility initiatives of the listed entity? (Yes/No)**

The Holding Company has its own Business Responsibility (BR) initiatives and generally do not participate in BR initiatives of the Company. The WOS was incorporated on May 27, 2022 and is in process of commencing its operations.

## Part VI: CSR Details

22. (i) Whether CSR is applicable as per section 135 of Companies Act, 2013: Yes

(ii) Turnover: ₹ 2,167 Crore

(iii) Net worth: ₹ 6,108 Crore

## Part VII: Transparency and Disclosures Compliances

### 23. Complaints/ Grievances on any of the principles (Principles 1 to 9) under the National Guidelines on Responsible Business Conduct (NGRBC)

| Stakeholder group from whom complaint is received | Grievance Redressal Mechanism in Place (Yes/No) (If Yes, then provide web-link for grievance redress policy) | FY'23 | | | FY'22 | | |
|---|---|---|---|---|---|---|---|
| | | Number of complaints filed during the year | Number of complaints pending resolution at close of the year | Remarks | Number of complaints filed during the year | Number of complaints pending resolution at close of the year | Remarks |
| Communities | - | | | | - | - | - |
| Investors (other than shareholders) | - | | | | - | - | - |
| Shareholders[1] | Yes | 3 | - | - | 4 | 1 | - |
| Employees and workers[2] | Yes | 0 | - | - | 1 | 0 | - |
| Customers[3] | Yes | 2,190 | 12 | - | 2,598 | 8 | - |
| Distributors (Value Chain Partners)[4] | Yes | 8 | - | - | 2 | - | - |

1 https://www.hdfcfund.com/information/shareholders-information-and-helpdesk

2 Internal polices placed on the intranet and some of the policies guiding company's conduct with its stakeholders on https://www.hdfcfund.com/about-us/corporate-governance/code-policy.

3 https://www.hdfcfund.com/contact-us/relationship

4 Distributors can write to us at partners@hdfcfund.com or mfonlinefeedback@hdfcfund.com

Investors and Shareholders can also write to grievance redressal officer:gro@hdfcfund.com and shareholders.relations@hdfcfund.com, respectively.





### 24. Overview of the entity's material responsible business conduct issues

Various material responsible business conduct and sustainability issues pertaining to environmental and social matters that present a risk or an opportunity to the Company's business are as indicated below:

| Sr.no | Material issue identified | Indicate whether risk or opportunity (R/O) | Rationale for identifying the risk / opportunity | In case of risk, approach to adapt or mitigate | Financial implications of the risk or opportunity (Indicate positive or negative implications) |
|---|---|---|---|---|---|
| 1 | Responsible investing | Opportunity/ Risk | As an institutional investor, the company has a duty to act in the best long-term interests of its investors. In this fiduciary role, ESG issues can also affect the performance of investment portfolios. | The company has a robust investment philosophy, efficient risk management, and sound governance practices<br>- The Company's investment team monitors ESG related factors in investee companies.<br>- The Company has also adopted a stewardship code in line with the regulatory requirements.<br>- The Company has become signatory of the United Nations-supported Principles for Responsible Investment.<br>- The Company has adopted the globally recognised CFA Institute Asset Manager Code of Professional Conduct. | Positive:<br>Embedding ESG considerations in investment decisions reduces portfolio risks.<br>Negative:<br>Reputational risks, in case the Company is unable to meet the stakeholder expectations. |
| 2 | Financial Literacy | Opportunity | Indians have predominantly saved money in traditional fixed income instruments/ lockers which may or may not be able to deliver positive inflation adjusted returns or in unregulated instruments which may be high risk to capital | The Company aims at inculcating the financial saving mindset by encouraging Indians to invest in mutual funds against traditional methods by launching investor awareness campaigns. | Positive:<br>- Wealth creation for every Indian<br>- Connect with wider audience<br>- Increase in financial literacy, especially for the marginalised ones |
| 3 | Data Security & Customer privacy | Risk | The Company relies heavily on its technology infrastructure. As majority of transactions are processed digitally, it increases cyber/information security risk | - The Company has a strong Cyber Risk Management framework wherein cyber risk and its mitigations are monitored by the Information Technology & Security Committee and Risk Management Committee.<br>- The Company has increased efforts through sensitisation of employees, customers and other stake holders on cyber frauds, data privacy etc.<br>- Special personnel are identified, regularly trained and limited access is provided to various members of the team to avoid fraudulent use of critical information | Negative:<br>- Reputational risks<br>- Information Security and Cyber Risk<br>- Compliance risk. |

| Sr.no | Material issue identified | Indicate whether risk or opportunity (R/O) | Rationale for identifying the risk / opportunity | In case of risk, approach to adapt or mitigate | Financial implications of the risk or opportunity (Indicate positive or negative implications) |
|---|---|---|---|---|---|
| 4 | Digitisation | Opportunity | The demand for and acceptance of digital transactions is increasing due to low-cost internet data, high smartphone penetration and India's biometric identity card | The Company has consistently invested in technology and built a robust digital environment to ensure minimum use of paper-based transactions and communications | Positive:<br>- Cost efficiencies<br>- Better customer reach & service through digital operations<br>- Increased penetration in B30 cities |

## Section B- Management & Process Disclosures

The National Guidelines on Responsible Business Conduct (NGRBC) as prescribed by the Ministry of Corporate Affairs advocates nine principles referred as P1-P9 as given below:

| Principle 1: | Principle 2: | Principle 3: |
|---|---|---|
| Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable | Businesses should provide goods and services in a manner that is sustainable and safe | Businesses should respect and promote the well-being of all employees, including those in their value chains |
| **Principle 4:** | **Principle 5:** | **Principle 6:** |
| Businesses should respect the interests of and be responsive to all its stakeholders | Businesses should respect and promote human rights | Businesses should respect and make efforts to protect and restore the environment |
| **Principle 7:** | **Principle 8:** | **Principle 9:** |
| Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent | Businesses should promote inclusive growth and equitable development | Businesses should engage with and provide value to their consumers in a responsible manner |





### Policy and Management Processes

| Disclosure Questions | P1 Ethics & Transparency | P2 Product Responsibility | P3 Well-being of Employees | P4 Responsiveness to Stakeholders | P5 Respect for Human Rights | P6 Environment Protection | P7 Public Policy Advocacy | P8 Inclusive Growth | P9 Customer Engagement |
|---|---|---|---|---|---|---|---|---|---|
| 1. a. Whether your entity's policy/ policies cover each principle and its core elements of the NGRBCs. (Yes/No) | Yes | No[1] | Yes | Yes | Yes | Yes | No[2] | Yes | Yes |
| b. Has the policy been approved by the Board? (Yes/No) | Yes (as applicable) | | | | | | | | |
| c. Web Link of the Policies, if available | https://www.hdfcfund.com/about-us/corporate-governance/code-policy<br>Some policies being internal documents are available to the employees through the company's intranet. | | | | | | | | |
| 2. Whether the entity has translated the policy into procedures. (Yes / No) | Yes (as applicable) | | | | | | | | |
| 3. Do the enlisted policies extend to your value chain partners? (Yes/No) | The Company has not mandated any vendors, suppliers, business partners etc. to participate in the BR initiatives of the Company. However, they are encouraged to adopt BR initiatives and follow the model expected from responsible business entities | | | | | | | | |
| 4. Name of the national and international codes/ certifications/ labels/ standards (e.g. Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustea standards (e.g. SA 8000, OHSAS, ISO, BIS) adopted by your entity and mapped to each principle | Not applicable | | | | | | | | |

Notes:

1. As the nature of business of the Company is providing comprehensive suite of savings and investment products, at a corporate level, consumption of resources is limited to running of operations.
2. The Company may share its expertise to help in the formulation of public policy but it does not directly engage in advocacy activities and hence does not have a specific policy for this purpose. The Company actively engages in investor education programmes for mutual funds in line with AMFI guidelines. Also, the Company has advocated through AMFI, various governance, administration, economic and educational reforms.

### Principle-wise Polices

| Principle | Particulars | Policies |
|---|---|---|
| P1 | Ethics & Transparency | • Whistle Blower Policy<br>• Policy on Conflict of Interest<br>• Social Media Policy<br>• Anti-Bribery & Anti-Corruption Policy<br>• Code of Conduct for Directors & Senior Management Personnel<br>• AML/CFT & KYC Policy<br>• Risk Management Framework<br>• Environmental, Social & Governance Policy ('ESG Policy')<br>• Nomination & Remuneration Policy<br>• CFA Institute's Asset Manager Code of Professional Conduct<br>• Policy for Determination of Materiality of Events<br>• Policy on Related Party Transactions<br>• Code of Practices & Procedures for Fair Disclosure of Unpublished Price Sensitive Information<br>• Outsourcing Policy<br>• Stewardship Code<br>• Information Security Policy<br>• Fraud Prevention Policy<br>Other internal policies that elucidate ethical behavior, transparency and accountability |
| P2 | Product Responsibility | As the nature of business of the Company is providing comprehensive suite of savings and investment products, at a corporate level, consumption of resources is limited to running of operations. However, the Company keeps sustainability in mind while performing day-to-day operations. |
| P3 | Well-being of Employees | • Policy on Sexual Harassment of Women at Workplace<br>• Whistle Blower Policy<br>• ESG policy<br>• Nomination & Remuneration Policy<br>• Policy provisions for Safety, Health & Wellbeing*<br>• Employee Manual |
| P4 | Responsiveness to stakeholders | • Corporate Social Responsibility Policy<br>• Stewardship Code<br>• ESG policy<br>• Risk Management Framework |
| P5 | Respect for Human Rights | • Policy on Sexual Harassment of Women at Workplace<br>• Whistle Blower Policy<br>• ESG policy<br>• Equal Opportunity Policy<br>• Board Diversity Policy<br>• Human Rights Policy |
| P6 | Environment Protection | • Business Continuity Policy<br>• ESG policy<br>• Risk Management Framework |
| P7 | Public Policy Advocacy | The Company may share its expertise to help in the formulation of public policy, but it does not directly engage in advocacy activities.<br>The Company actively engages in investor education programmes for mutual funds in line with AMFI guidelines. In addition, the senior leadership team takes active part in various committees of AMFI and SEBI aimed at spreading financial literacy, increasing investor awareness, among others. Also, the Company has advocated through AMFI, various governance, administration, economic and educational reforms. |





| Principle | Particulars | Policies |
|---|---|---|
| P8 | Inclusive Growth | The Company's CSR policy covers activities focused on the marginalised and vulnerable sections of the society |
| P9 | Customer Engagement | • Customer Query & Grievance Redressal Policy<br>• Information Security Policy<br>• ESG policy<br>• Business Continuity Policy<br>• Risk Management Framework<br>• Cyber Security Policy<br>• Social media Policy<br>• Cyber Crisis Management Policy |

*Part of Employee manual

5. **Specific commitments, goals and targets set by the entity with defined timelines.**
   - The company aspires to be a wealth creator for every Indian while shaping the savings and investment landscape.
   - The Company recognises its role in creating a positive impact in the lives of communities by identifying the core focus areas and achieving these through corporate social responsibility activities and investor awareness programmes for improving financial literacy.
   - The Company is striving to reduce its environmental impact, in this regards company has started tracking its carbon footprint.
   - The Company Promotes Diversity, Equity and Inclusion (DE&I) culture at the workplace and at the same time believes in hiring the right talent based on merit.
   - The Company believes in up-skilling the work force for the holistic development of its employees and to align with the changing business environment.

6. **Performance of the entity against the specific commitments, goals and targets along with reasons in case the same are not met**

   **Spreading Financial Literacy**
   - The company conducted 3,289 Investor Awareness Programs covering around 2,50,000 participants
   - The Company has conducted over 575 investor awareness programs under #BarniSeAzadi campaign with the intent of promoting financial independence among women.
   - Over 25,000 students participated in financial awareness programme through 'Investverse: An Introduction to the World of Investing'
   - The Company conducted an investor education initiative that focuses on women investors and their specific financial needs and goals: Fem-power

   **Inclusive growth through CSR Initiatives**
   - Over 2,70,000 children and 9,000 teachers provided access to foundational learning,
   - Over 3,000 cancer patients provided with financial aid for treatment
   - Over 6,000 children given access to nutritious meals & quality education.
   - 100 flats furnished for cancer patients undergoing treatment at TATA Memorial Hospital

   **Energy & Waste management**
   - 685 kg of e-waste processed in an environment friendly manner
   - Transitioning from physical Infrastructure to cloud
   - A tree was planted for every online SIP in Equity oriented & Gold schemes which were registered for a specific tenure
   - 59,000 sq. ft. of biodiversity park developed at Mumbai University - Kalina Campus, under CSR initiative
   - Eco friendly diaries distributed, saving on wood, water and energy
   - The Company has replaced plastic water bottles with glass/ steel bottles
   - The Company has also replaced plastic garbage bags with bio-degradable bags
   - The Company has started measuring the Scope 1, 2 & 3 emissions.
   - Deployment of timers for signage boards to save electricity

Digital Environment

- 81% transactions are supported by integrated online platform
- The Company's digital transactions have grown at a CAGR of 28% since FY'17
- The Company enhanced the experience and user journeys on website and mobile app for investor
- The Company strengthened 'Connekt' app to enable distribution partners to expand their digital footprint
- The Company started WhatsApp notifications for digital transactions done by our investors
- The company launched variety of experience enhancing services like eKYC, biometrics, multiple payment gateways etc to prioritise journey of new investor and simplify onboarding process

Workforce Diversity

- ~28 % of the Company's permanent work force are women.
- ~27% of the leadership team comprise of women
- Onboarded differently abled candidates to join the workforce

Up-skilling

- ~1200 Employees attended ESG training conducted by CFA Institute
- Ethics workshops in partnership with the CFA Institute for new joinees
- Over 29,000 employee training manhours
- Conducted 967 distributor training and awareness sessions
- The Company has a Recognition platform called 'Gauging the stars' that records and recognises the learning & developmental efforts taken by each employee

Governance, leadership and oversight

**7. Statement by director responsible for the business responsibility & sustainability report**

Ethics, good governance and client centricity are core values of the HDFC Group and are deeply ingrained in our work-culture at HDFC AMC.

We are focused on executing a strong ESG proposition and this commitment is reflected in our mission "To be the wealth creator for every Indian". Our vision "To be the most respected asset manager in the world" is shaped by our cultural ethos and aspirations. We keep our purpose at the centre of everything we do. We believe we have the right people, processes, products, performance, partnerships and platforms for achieving our ambitious mission and vision.

The company's ESG and CSR Committee of the Board provides guidance, leadership and necessary oversight for ESG initiatives undertaken by the Company. As we strive towards generating prosperity for new India, we are guided by our ESG mission - "To create sustainable wealth for every stakeholder by focusing on People, Planet and Prosperity". Through the year gone by, we have taken various measures to reaffirm our fiduciary duty to investors and the community at large, contribute towards a greener planet, and engender social inclusion and prosperity wherever we can. It is our ongoing endeavour to integrate sustainability into decision making and we are committed to execute a robust ESG proposition by working with all stakeholders.

As a responsible investor, we have demonstrated our commitment to include environmental, social and governance (ESG) factors in investment decision making and ownership by becoming a signatory to the internationally recognised United Nations-Supported Principles for Responsible Investment. We have also adopted the globally recognised CFA Institute Asset Manager Code of Professional Conduct.

By working together with all our stakeholders, we aim to create a positive impact on society and the environment, while fulfilling our responsibilities as one of the leading asset managers.

**8. Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy (ies)**

| | |
|---|---|
| Name | Mr. Navneet Munot |
| DIN | 05247228 |
| Designation | Managing Director & Chief Executive Officer |





**9. Does the entity have a specified Committee of the Board/ Director responsible for decision-making on sustainability related issues? (Yes / No). If yes, provide details**

Yes, the ESG and CSR Committee of the Board provides guidance, leadership and necessary oversight for ESG initiatives of the Company.

| Name | Designation | DIN | Category |
|---|---|---|---|
| Mr. Deepak Parekh | Chairman | 00009078 | Non – Executive Director |
| Mr. Navneet Munot | Member | 05247228 | MD & CEO |
| Mr. Parag Shah | Member | 00374944 | Independent Director |

**10. Details of Review of NGRBCs by the Company**

| Subject for Review | Review of Principles Undertaken and their Frequency |
|---|---|
| Performance against above policies and follow up action | Relevant policies of the Company are reviewed periodically or on a need basis.<br>The necessary changes to policies and procedures are implemented accordingly. |
| Compliance with statutory requirements of relevance to the principles, and, rectification of any non-compliances | The Company is in compliance with the extant regulations as applicable |

**11. Has the entity carried out independent assessment/ evaluation of the working of its policies by an external agency? (Yes/ No). If yes, provide name of the agency**

The processes and compliances are subject to audits and inspections as applicable. The policies are reviewed on a periodical basis by the respective departments, and updated accordingly. The updated policies with changes recommended by the management of the Company are placed before the Board for its approval, as applicable. An internal assessment of the workings of the policies has been carried out as stated above.

**12. If answer to question (1) above is "No" i.e. not all Principles are covered by a policy, reasons to be stated:**

| Disclosure Questions | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|---|---|---|---|---|---|---|---|---|---|
| **The entity does not consider the Principles material to its business (Yes/No)** | | | | | | | | | |
| **The entity is not at a stage where it is in a position to formulate and implement the policies on specified principles (Yes/No)** | | Note 1 | | | | | Note 2 | | |
| **The entity does not have the financial or/human and technical resources available for the task (Yes/No)** | | | | | | | | | |
| **It is planned to be done in the next financial year (Yes/No)** | | | | | | | | | |
| **Any other reason (please specify)** | | | | | | | | | |

Notes:

1. As the nature of business of the Company is providing comprehensive suite of savings and investment products, at a corporate level, consumption of resources is limited to running of operations.
2. The Company may share its expertise to help in the formulation of public policy but it does not directly engage in advocacy activities and hence does not have a specific policy for this purpose. The Company actively engages in investor education programmes for mutual funds in line with AMFI guidelines. Also, the Company has advocated through AMFI, various governance, administration, economic and educational reforms.

**PRINCIPLE 1: Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.**

## Essential Indicators

1. **Percentage coverage by training and awareness programmes on any of the principles during the financial year:**

| Segment | Total number of training and awareness programmes held | Topics / principles covered under the training and its impact | %age of persons in respective category covered by the awareness programmes |
|---|---|---|---|
| Board of Directors | 2 | Update on various ESG initiatives taken by the Company along with update on regulations.<br>Masterclass was conducted for Independent Directors of the company which was organised by Institute of Directors (IOD) covering Mutual Fund Industry Practices, compliance process adopted by the company, Corporate Laws including but not limited to Duties, Responsibilities & Liabilities of a Director amongst others. | 100% |
| Key Managerial Personnel | 7 | ESG Workshop, Ethics Training, Training/awareness initiatives comprising presentations regarding applicable laws/regulations, roles/responsibilities, insights of SEBI orders/guidance, internal policies/codes and sharing periodic refresher materials on do's and don'ts covering policies viz. Polling, Stewardship Code, Voting Policy, Conflict of Interest Policy, Securities Dealing Code(s), Social Media Policy, Unauthenticated news. | 100% |
| Employees other than BOD and KMPs | 33 | ESG Workshop, Ethics Training, Training/awareness initiatives comprising presentations, calls, and sharing periodic refresher materials for employee do's and don'ts covering policies viz. Conflict of Interest Policy, Employees Securities Dealing Code(s), Social Media Policy, Unauthenticated news | 100% |

2. **Details of fines / penalties /punishment/ award/ compounding fees/ settlement amount paid in proceedings (by the entity or by directors / KMPs) with regulators/ law enforcement agencies/ judicial institutions, in the financial year,**

| | Monetary | | | | |
|---|---|---|---|---|---|
| Type | NGRBC Principle | Name of the regulatory/ enforcement agencies/ judicial institutions | Amount (In INR) | Brief of the Case | Has an appeal been preferred? (Yes/No) |
| Penalty/ Fine | | | | | |
| Settlement | | NIL | | | |
| Compounding fee | | | | | |

| Type | NGRBC Principle | Name of the regulatory/ enforcement agencies/ judicial institutions | Brief of the Case | Has an appeal been preferred? (Yes/No) |
|---|---|---|---|---|
| Imprisonment | | NIL | | |
| Punishment | | | | |

It may be noted that the Company receives administrative warnings/deficiency letters in the regular course of its business pertaining to mutual funds, Portfolio Management Services pursuant to regulatory inspections conducted by SEBI from time to time. Necessary corrective actions in this regard are taken by the Company.

3. **Of the instances disclosed in Question 2 above, details of the Appeal/ Revision preferred in cases where monetary or non-monetary action has been appealed.**

| Case Details | Name of the regulatory/ enforcement agencies/ judicial institutions |
|---|---|
| Not Applicable | |

4. **Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available, provide a web link to the policy.**

Yes. The Company is committed to conduct business by following the highest ethical standards. All forms of bribery and corruption are prohibited. The Company conducts its business in adherence to all statutory and regulatory requirements.

5. **Number of Directors/KMPs/employees/workers against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/ corruption:**

| Case Details | FY'23 | FY'22 |
|---|---|---|
| Directors | NIL | NIL |
| KMPs | NIL | NIL |
| Employees | NIL | NIL |
| Workers | NA | NA |

6. **Details of complaints with regard to conflict of interest:**

| Particulars | FY'23 | | FY'22 | |
|---|---|---|---|---|
| | Number | Remarks | Number | Remarks |
| Number of complaints received in relation to issues of Conflict of Interest of the Directors | NIL | - | NIL | - |
| Number of complaints received in relation to issues of Conflict of Interest of the KMPs | NIL | - | NIL | - |

7. **Provide details of any corrective action taken or underway on issues related to fines / penalties / action taken by regulators/ law enforcement agencies/ judicial institutions on cases of corruption and conflicts of interest.**

NIL for the F.Y. 2023

## Leadership Indicators

1. **Awareness programmes conducted for value chain partners on any of the Principles during the financial year**

| Total number of awareness programmes held | Topics/ principles covered under the training | %age of value chain partners covered (by value of business done with such partners) under the awareness programmes |
|---|---|---|
| 967 | Customer first, spreading financial literacy, technical programs, Soft-skills, amongst others | 1,00,955 participants |

2. **Does the entity have processes in place to avoid/ manage conflict of interest involving members of the Board/KMPs? (Yes/No) If yes, provide details of the same.**

The company has Conflict of Interest Policy (CoI) policy to avoid conflict of interest involving Board and KMP. Further, pursuant to Replace with SEBI Listing Regulations senior management confirms to the Board of Directors that there was no material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the Company at large.

The Company has CoI policy to enable compliance with the provisions of the acts and regulations applicable to its business.

The Company has Conflict Resolution Committee (CRC), which includes the Managing Director, Chief Compliance Officer, Company Secretary and the respective Head of Departments based on the subject matter of the Conflict of Interest for managing and dealing with CoI situations within the Company.

The Company has also formulated the policy on related party transactions for providing guidelines in relation to identification of related parties.

**Principle 2: Businesses should provide goods and services in a manner that is sustainable and safe**

**Essential Indicators**

1. **Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively.**

| Particulars | FY 22-23 | FY 21-22 | Details of improvements in environmental and social impacts |
|---|---|---|---|
| R&D | Refer note below | | |
| Capex | | | |

Note: The Company is primarily into financial services, hence the relevance of the above is largely restricted to capital expenditure towards information technology. Capital expenditure incurred towards IT hardware and software (excluding Right of Use assets) was 62.21% of total capital expenditure investments in FY 22-23 vs 78.9% in FY 21-22. The Company intends to continue identifying and acting on opportunities to reduce its impact on the environment.

2. a. **Does the entity have procedures in place for sustainable sourcing? (Yes/No)**

As the Company is in the business of providing a comprehensive suite of savings and investment products, consumption of resources is limited to running of operations. The Company follows sustainable sourcing practices wherever feasible, including but not limited to green standard compliant hardware, Environmental Management System ISO 14001:2015 certified data centres, inverter AC's, recycled paper diaries, energy-efficient fittings, glass bottles, among others.

2. b. **If yes, what percentage of inputs were sourced sustainably?**

Refer response to point 2.a.

3. **Describe the processes in place to safely reclaim your products for reusing, recycling and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste and (d) Other waste**

Given the nature of the business, the Company has limited scope on these parameters, however, the Company realises that there is a pressing need to manage waste in an eco-friendly manner. To achieve these objectives, the Company, encourages reuse/recycle wherever possible. The Company engages with certified e-waste handlers for the disposal of e-waste. The Company has also replaced plastic garbage bags with bio-degradable bags.

4. **Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes / No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.**

No

**Leadership Indicators**

1. **Has the entity conducted Life Cycle Perspective / Assessments (LCA) for any of its products (for manufacturing industry) or for its services (for service industry)? If yes, provide details in the following format?**

The primary business activity of the Company is asset management. It is a service-oriented business primarily involved in managing the investment of retail and institutional investors across asset classes and servicing their requirements across the life cycle of their journey with the Company.

The investment life cycle is a sequential process ranging from sourcing clients to onboarding them, providing investment solutions and hassle-free customer service to the clients during their journey with us. A brief description of the client life cycle is provided below:

*Sourcing:*

Clients can invest in our schemes either directly or through the distribution partners. They can transact through the physical mode or through our electronic portal. A client can submit his/her physical applications at multiple touch points like our investor service centres, CAMS branches or to the distribution partners. The Company works with a diverse set of distribution partners and currently has over 75,000 empaneled distributors which include mutual fund distributors, national distributors, banks, investment advisers and fintech firms. While we continue to source business across channels, the focus is on driving the adoption of digital modes of transaction. The Company has witnessed significant growth in electronic transactions vis-à-vis physical paper-based transactions. The Company provides end-to-end digital onboarding solutions for investors and its distributors. The Company has enabled its partners with both tools and educational webinars on digital medium and it also runs extensive education series for its partners on how to build digital presence.

*Onboarding:*

As a first step, clients have to be KYC compliant. Clients have access to multiple options where they can complete their KYC while providing their investment applications. The Company has tied up with KYC Registration Agencies (KRA) to update and access client KYC information which provides a seamless experience for the customer. The Company uses CKYCR, which is a government authorised registry where it can access as well as update customers KYC records. With Aadhaar based e-KYC service, the Company has provided investors with the option to complete KYC online and start investing directly through digital channels.

*Transactions:*

The Registrar and Transfer Agent (RTA), CAMS, forms the backbone for transaction processing, assisted by an able front office team at the head office/branches. Investment in cutting-edge technology has enabled increased scale & speed in processing transactions and digital fetch tools help in faster authentication of supporting documentation. Transaction bot and WhatsApp have now been added to provide instant access for transactions.

*Service:*

The Company supports service requests from clients such as change of bank account details, nominee updating, change of tax status etc. both physically as well as electronically throughout the life cycle of the client. We also proactively send reminders to the clients to update contact details, and conform to changing regulatory requirements like FATCA/CRS, PAN Aadhaar linking etc. from time to time.

*Grievance Redressal Mechanism:*

As part of the Grievance Redressal Policy, the Company has a Complaint Management Platform to record and redress grievances/feedback from customers, which helps in ensuring standard operating procedures and enhanced service standards. The Corporate Client Service (CCS) team oversees and ensures that customer grievances are addressed in a timely manner and that responses sent are appropriate and meets the requirements of customers.

2. **If there are any significant social or environmental concerns and/or risks arising from production or disposal of your products / services, as identified in the Life Cycle Perspective / Assessments (LCA) or through any other means, briefly describe the same along-with action taken to mitigate the same.**

Not applicable

3. **Percentage of recycled or reused input material to total material (by value) used in production (for manufacturing industry) or providing services (for service industry).**

Not applicable

4. **Of the products and packaging reclaimed at end of life of products, amount (in metric tonnes) reused, recycled, and safely disposed, as per the following format.**

| Particulars | FY'23 | | | FY'22 | | |
|---|---|---|---|---|---|---|
| | Re-used | Recycled | Safely Disposed | Number | Recycled | Safely Disposed |
| Plastics (including packaging) | - | - | - | - | - | - |
| E-waste (in kgs) | - | - | 685 | - | - | 831 |
| Hazardous waste | - | - | - | - | - | - |

As the Company is into financial services, there are no hazardous waste generated.

5. **Reclaimed products and their packaging materials (as percentage of products sold) for each product category.**

| Indicate product category | Reclaimed products and their packaging materials as % of total products sold in respective category |
|---|---|
| Not Applicable | |

**Principle 3: Businesses should respect and promote the well-being of all employees, including those in their value chains**

**Essential Indicators**

1. a. **Details of measures for the well-being of employees:**

| Category | Total (A) | Health Insurance | | Life/Accident Insurance | | Maternity Benefits | | Paternity Benefits | | Day Care Facilities* | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Number (B) | % (B / A) | Number (C) | % (C / A) | Number (D) | % (D / A) | Number (E) | % (E / A) | Number (F) | % (F / A) |
| Permanent Employees | | | | | | | | | | | |
| Male | 924 | 924 | 100 | 924 | 100 | NA | NA | NA | NA | NA | NA |
| Female | 357 | 357 | 100 | 357 | 100 | 357 | 100 | NA | NA | NA | NA |
| **Total** | **1,281** | **1,281** | **100** | **1,281** | **100** | **357** | **100** | **NA** | **NA** | NA | NA |
| Other than Permanent Employees | | | | | | | | | | | |
| Male | 259 | 259 | 100 | 259 | 100 | NA | NA | NA | NA | NA | NA |
| Female | 235 | 235 | 100 | 235 | 100 | 235 | 100 | NA | NA | NA | NA |
| **Total** | **494** | **494** | **100** | **494** | **100** | **235** | **100** | **NA** | **NA** | NA | NA |

* There are no day-care facilities on our premises. However we can make necessary provisions for those who require such facilities.

2. **Details of retirement benefits for current and previous financial year**

| Benefits | FY 22-23 | | FY 21-22 | |
|---|---|---|---|---|
| | No. of employees covered as a % of total employees | Deducted and deposited with the authority (Y/N/N.A.) | No. of employees covered as a % of total employees | Deducted and deposited with the authority (Y/N/N.A.) |
| PF | 100% | Y | 100% | Y |
| Gratuity | 100% | N.A. | 100% | N.A. |
| ESI | 100% | N.A. | 100% | N.A. |
| NPS | 100% | 10%* | 100% | 8%* |

* Availed

3. **Accessibility of workplaces**

**Are the premises / offices of the entity accessible to differently abled employees and workers, as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard.**

Most of our offices are located in commercial premises which are on the ground floor or have elevators and infrastructure for differently abled persons; 75% of the offices have facilities for easy movement of differently abled visitors/employees. Also, most of our office washrooms are specially-abled friendly.

4. **Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web-link to the policy.**

Yes, conspicuously displayed at all business locations in accordance with the provisions of the Act.





5. **Return to work and retention rates of permanent employees and workers that took parental leave.**

| Benefits | Permanent Employees | |
|---|---|---|
| | Return to Work rate in % | Retention rate in % |
| Male | NA | NA |
| Female | 78% | 59% |
| **Total** | **78%** | **59%** |

6. **Is there a mechanism available to receive and redress grievances for the following categories of employees and worker? If yes, give details of the mechanism in brief.**

| Particulars | Yes/No (If Yes, then give details of the mechanism in brief) |
|---|---|
| Permanent Employees | Yes |
| Other than Permanent Employees | |

The Company has always followed an open-door policy, wherein any employee irrespective of hierarchy have access to the business heads, HR, Legal & Compliance, senior management or other such members.

The Company has adopted a third-party web-based reporting tool which provides a secure and confidential platform to report genuine concerns and can be accessed by all employees/ Directors/ stakeholders for lodging a complaint or expressing genuine concerns.

In addition to that, a Whistle-Blower Policy has been formulated for employees and Directors to report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Business Conduct and Ethics Policy.

The Company has zero tolerance for sexual harassment at the workplace and is compliant with provisions relating to the constitution of Internal Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company also has various online training modules and awareness programmes which sensitise its employees on such issues.

The Company is committed to redressing every grievance of its employees in a fair and just manner. The Company provides various channels of grievance redressal and safeguards employees against any form of victimisation.

7. **Membership of employees and worker in association(s) or Unions recognised by the listed entity.**

| Category | FY 22-23 | | | FY 21-22 | | |
|---|---|---|---|---|---|---|
| | Total employees / workers in respective category (A) | No. of employees / workers in respective category, who are part of association(s) or Union (B) | % (B / A) | Total employees / workers in respective category (C) | No. of employees / workers in respective category, who are part of association(s) or Union (D) | % (D / C) |
| Male | Employees do not have any representative union or association. | | | | | |
| Female | | | | | | |
| Total | | | | | | |

8. **Details of training given to employees**

| Category | FY 22-23 | | | | | FY 21-22 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total (A) | On Health and Safety Measures | | On Skill Upgradation | | Total (D) | On Health and Safety Measures | | On Skill Upgradation | |
| | | No. (B) | % (B / A) | No. (C) | % (C / A) | | No. (E) | % (E / D) | No. (F) | % (F / D) |
| Male | 924 | 870 | 94% | 853 | 92% | 814 | 722 | 89% | 803 | 99% |
| Female | 357 | 338 | 95% | 331 | 93% | 337 | 281 | 83% | 327 | 97% |
| **Total** | **1281** | **1208** | **94%** | **1184** | **92%** | **1,151** | **1003** | **87%** | **1,130** | **98%** |

### 9. Details of performance and career development reviews of employees

| Category | FY 22-23 | | | FY 21-22 | | |
|---|---|---|---|---|---|---|
| | Total (A) | No. (B) | % (B / A) | Total (C) | No. (D) | % (D / C) |
| Male | 864 | 864 | 100% | 791 | 791 | 100% |
| Female | 336 | 336 | 100% | 315 | 315 | 100% |
| **Total** | **1,200** | **1,200** | **100%** | **1,106** | **1,106** | **100%** |

Remuneration for employees is as per the Nomination & Remuneration Policy of the Company. The criteria for the evaluation of remuneration for all employees is based on an appraisal process which includes a mid-year review and annual appraisal of performance. The increase in remuneration is factored after compensation benchmarking, individual performance and overall company performance.

### 10. Health and Safety management system:

a. *Whether an occupational health and safety management system has been implemented by the entity? (Yes/ No). If yes, the coverage of such system?*

There are no occupational health and safety risks considering the nature of the business. Employee well-being continues to be a priority of the Company. The company has tied up with health care service provider which offers 24x7 online medical consultations for employees and their family members. Employees have access to online fitness programs and weight loss programs. Regular wellness and wellbeing webinars covering physical, mental and emotional health are conducted.

Periodic trainings on fire safety and fire-fighting equipment are provided along with evacuation drills. The Company replaced Biometric access control with Face Reader access at HO, facilitated hand sanitisers and face masks at all offices.

b. *What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity?*

This is not directly applicable given the nature of business. However, the company conducted a Wellbeing Assessment of employees through a health care service provider covering parameters like physical activity and functioning, bodily pain and its impact on daily routine, emotional well-being, social functioning, energy fatigue and financial wellbeing. The Company has kept thermal scanners handy for body temperature check and has facilitated hand sanitisers and face masks at its offices.

c. *Whether you have processes for workers to report the work-related hazards and to remove themselves from such risks. (Y/N)*

This is not directly applicable given the nature of business.

d. *Do the employees/ worker of the entity have access to non-occupational medical and healthcare services? (Yes/ No)*

The Company provides facilities like medical consultations and regular health check-ups. The Company has partnered with a health care service provider, which offers 24x7 online medical consultations, fitness and well-being programmes. Additionally, the Company organises regular health check-up for its employees. The Company also provides its employees with group term life and personal accident cover in addition to medical insurance.

### 11. Details of safety related incidents, in the following format:

| Safety Incidents/Numbers | Category | FY 22-23 | FY 21-22 |
|---|---|---|---|
| **Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)** | Employees | NIL | NIL |
| **Total recordable work-related injuries** | | | |
| **No. of fatalities** | | | |
| **High consequence work-related injury or ill-health (excluding fatalities)** | | | |





### 12. Describe the measures taken by the entity to ensure a safe and healthy work place.

Employee well-being and psychological safety continue to be a priority for the Company. The company has tied up with health care service provider which offers 24x7 online medical consultations for employees and their family members. Employees have access to online fitness programs and weight loss programs. Regular wellness and wellbeing webinars covering physical, mental and emotional health are conducted. The Company also provides its employees with group term life and personal accident cover in addition to medical insurance.

At the time of joining all employees undergo a comprehensive health screening. Employees above the age of 35 years undergo complimentary comprehensive health screening on biennial basis.

The company engages the services of housekeeping agencies to ensure the work place is clean and hygienic. In fact, ensuring good hygiene is documented as a part of the role of each Branch Manager. Fire drills and quality assurance audits are conducted in the office premises to ensure the maintenance of safety standards. Indoor air quality treatment is carried out to mitigate biological contamination to ensure better and hygienic indoor environment. This ensures preventive maintenance against any air and surface contamination. To maintain a safe workplace the Company has a zero-tolerance policy to any form of harassment. The Company has implemented the following policies and mechanisms to promote a safe workplace –

- Policy on prevention of sexual harassment of women at the workplace (PPR) Act 2013,
- Equal Opportunity Policy framed pursuant to Rights of Persons with Disabilities Act (RPWD)
- Whistle Blower mechanism
- Grievance Redressal mechanism

### 13. Number of complaints on the following made by employees and workers

| Type | FY 22-23 | | | FY 21-22 | | |
|---|---|---|---|---|---|---|
| | Filed during the year | Pending resolution at the end of year | Remarks | Filed during the year | Pending resolution at the end of year | Remark |
| Working Conditions | NIL | NIL | - | NIL | NIL | - |
| Health & Safety | NIL | NIL | - | NIL | NIL | - |

### 14. Assessments for the year

| Type | % of your plants and offices that were assessed (by entity or statutory authorities or third parties) |
|---|---|
| Health and safety practices | 100%* |
| Working Conditions | These parameters are currently not explicitly assessed or measured |

*The Company has entered into preventive periodic maintenance contracts which includes firefighting equipment. The Company has also appointed quality assurance auditors.

### 15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks / concerns arising from assessments of Health & Safety practices and working conditions.

Not Applicable

## Leadership Indicators

### 1. Does the entity extend any life insurance or any compensatory package in the event of death of (A) Employees (Y/N) (B) Workers (Y/N)

Yes, the Company provides its employees with group term Life cover, personal accident cover, future service gratuity in addition to medical insurance. Benefits like provident fund, gratuity, leave encashment etc., are settled on a priority basis. Our Gratuity offerings are significantly better than statutory prescribed limits. The Company has a policy for mid to junior level staff wherein company extends monetary support to families of deceased employees and employment opportunity to meritorious family members.

### 2. Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners.

The Company has made it a contractual obligation for its value chain partners to fully deliver on their statutory requirements. We have also appointed an independent auditor to audit vendors with respect to compliance with all statutory obligations.

3. **Provide the number of employees / workers having suffered high consequence work related injury / ill-health / fatalities (as reported in Q11 of Essential Indicators above), who have been are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment:**

| Category | Total no. of affected employees/ workers | | No. of employees/workers that are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment | |
|---|---|---|---|---|
| | FY 22-23 | FY 21-22 | FY 22-23 | FY 21-22 |
| Employees | NA | NA | NA | NA |
| Workers | NA | NA | NA | NA |

4. **Does the entity provide transition assistance programs to facilitate continued employability and the management of career endings resulting from retirement or termination of employment? (Yes/ No)**

The Company has not undertaken any retrenchment of employees owing to business exigencies or employees not having the requisite skills to do the required job. In line with the spirit of applicable law, as and when such step is required to be taken due to business environment or force majeure circumstances, the Company will actively consider undertaking such activities for outgoing employees.

The Company believes in hiring well qualified talent on merit and continuously upskills the work force to align with the changing business environment. In light of this, the need for this transition assistance programmes is not envisaged currently.

5. **Details on assessment of value chain partners:**

| Type | % of value chain partners (by value of business done with such partners) that were assessed |
|---|---|
| Health and safety practices | These parameters are currently not assessed. |
| Working Conditions | |

6. **Provide details of any corrective actions taken or underway to address significant risks / concerns arising from assessments of health and safety practices and working conditions of value chain partners.**

Not applicable

## PRINCIPLE 4: Businesses should respect the interests of and be responsive to all its stakeholders

### Essential Indicators

1. **Describe the processes for identifying key stakeholder groups of the entity.**

The Company believes that healthy stakeholder relationships are key to long-term value creation. Any individual or group of individuals or institution that adds value to the Company or who are/could be impacted are identified as a core stakeholder.

2. **List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group.**

| Key Stakeholder | Whether identified as Vulnerable & Marginalised Group (Yes/No) | Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Other | Frequency of engagement (Annually/ Half yearly/ Quarterly / others – please specify) | Purpose and scope of engagement including key topics and concerns raised during such engagement |
|---|---|---|---|---|
| Customers | Yes, based on demographics | Branch assistance, emails, website, advertisements, newspaper and other digital platforms, customer helplines and toll-free numbers, customer satisfaction surveys | Ongoing and need based | Superior customer service throughout the life cycle.<br>To stay abreast of product features, benefits and<br>risks |
| Employees | No | Direct, email, CEO town halls, team meetings | Ongoing and need based | • Rewards and recognition<br>• Sense of Ownership and alignment to the organisational vision & mission<br>• Training and career development<br>• Health, safety and wellbeing<br>• Organisational developments<br>• Performance appraisal<br>• Awareness initiatives and engagement |
| Shareholders | No | Quarterly earnings calls, audio recording of earnings call, investor presentation, Annual General Meeting, intimation to stock exchanges, annual/ quarterly financials and investor meetings / conferences, press release, annual reports, email, SMS, newspaper, advertisement, notices, website, transcripts etc. | At least quarterly and need based | To stay abreast of developments in the Company, Performance of the Company and the sector, address concerns/grievances |
| Distributors | No | Physical meetings, emails and other digital platforms | Ongoing and need based | Enhanced reach/Trainings |
| Regulatory Bodies | No | Emails, one-on-one meetings, conference calls, video conferencing, website | Need based | Discussions with regard to various approvals, circulars, guidelines, suggestions, amendments, etc |
| AMFI | No | Emails, Physical meetings, conference calls, video conferencing, website | Ongoing & Need based | Discussions with regard to various guidelines/investor education and reporting |
| Communities & Implementing Agencies/ NGOS | Yes | Emails, physical meetings & conference calls | Need based | Monitoring & Implementing the CSR projects and activities |
| Registrar and Transfer Agent | No | Physical meetings, emails and other digital platforms | Ongoing and need based | Ensure smooth operations and seamless client experience |
| Vendors, Bankers, Custodians and others in value chain | No | Physical meetings, Emails, | Ongoing and need based | Product & Service quality and support, contract commercial and technical terms & conditions, custodial services, statutory compliances |
| Media | No | Newspaper, advertisement, email, annual reports, website, transcripts, conference and other meetings | Need based | To stay abreast on the developments of the Company |

### Leadership Indicators

1. **Provide the processes for consultation between stakeholders and the Board on economic, environmental, and social topics or if consultation is delegated, how is feedback from such consultations provided to the Board.**

   The Company encourages constant and proactive engagement with its stakeholders to better communicate its strategies and performance. There are various platforms through which the company provides an opportunity for stakeholders to interact with the Board/Management, viz. Annual General Meeting, quarterly earnings conference calls on financials results, designated e-mail ids. The Company has ESG and Corporate Social Responsibility (CSR)committee of the Board for fulfilling responsibilities with regard to, including but not limited to environmental and social topics. The Company also has Stakeholder Relationship Committee of the Board which is broadly responsible for reviewing the activities carried out by the investor service centres and their adherence to service standards, reviewing the steps taken by the Company to redress the grievances of the investors amongst others. The Board is kept well-informed on various developments and feedback on the same is sought from the Directors/ Senior Management.

2. **Whether stakeholder consultation is used to support the identification and management of environmental, and social topics (Yes / No). If so, provide details of instances as to how the inputs received from stakeholders on these topics were incorporated into policies and activities of the entity.**

   Customer complaints / grievances / suggestions are reviewed for a root cause analysis, which also gives an opportunity to the company to improve its services. The Company has identified key ESG focus areas through materiality assessment exercise, conducted in consultation with internal stakeholders. The Company also tries to engage with consultants and experts in this field, which helps to better understand expectations of stakeholders.

3. **Provide details of instances of engagement with, and actions taken to, address the concerns of vulnerable/ marginalised stakeholder groups.**

   As we strive towards generating prosperity for new India, we are guided by our mission "To be the wealth creator for every Indian".

   Monthly Average AUM (MAAUM) from beyond the top 30 cities (B30) was at 18%, although contribution to equity MAAUM from those cities is at 26%.

   As an investment manager, with the aim to also serve the bottom-of the-pyramid customers, the Company reduced the minimum subscription amount for digital SIP & Lumpsum transactions to ₹100. The Company has also initiated multilingual options for some of its email communications. The Company extended its #BarniSeAzadi campaign -first launched in 2021 - to continue promoting financial independence for women.

   Majority of the CSR projects undertaken by the Company are aimed at benefitting the vulnerable / marginalised sections of the society. The details of the Company's CSR initiatives project/programmes and activities are provided in Annexure of the Annual report. The CSR Policy of the Company is uploaded on its website and can be viewed at https://www.hdfcfund.com/about-us/corporate-profile/csr

## Principle 5: Businesses should respect and promote human rights

### Essential Indicators

1. **Employees and workers who have been provided training on human rights issues and policy (ies) of the Company**

| Category | FY 22-23 | | | FY 21-22 | | |
|---|---|---|---|---|---|---|
| | Total (A) | No. of employees / workers covered (B) | % (B / A) | Total (C) | No. of employees / workers covered (D) | % (D / C) |
| Permanent | 1281 | 1281 | 100% | 1151 | 1151 | 100% |
| Other than permanent | 494 | 494 | 100% | 392 | 392 | 100% |
| **Total Employees** | **1775** | **1775** | **100%** | **1543** | **1543** | **100%** |

The Company promotes a culture of fairness and inclusion. It is the policy and practice of the Company to provide equal employment opportunity to all persons. The Company's value system encourages dignity of labour. Its policies and managerial framework ensure that all fundamental and human rights of employees are fully protected.

Policies and processes like POSH, Whistleblower, Grievance Redressal, Equal Employment Opportunity, Code of Conduct etc. are in place to protect human rights of employees.

The Company policies are well defined and are educated, trained and disseminated through the electronic medium.

2. **Details of minimum wages paid to employees and workers:**

| Category | FY'23 | | | | | FY'22 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total (A) | Equal to Minimum Wage | | More than Minimum Wage | | Total (D) | Equal to Minimum Wage | | More than Minimum Wage | |
| | | No. (B) | % (B / A) | No. (C) | % (C / A) | | No. (E) | % (E / D) | No. (F) | % (F / D) |
| Permanent | 1,281 | - | - | 1,281 | 100% | 1,151 | - | - | 1,151 | 100% |
| Male | 924 | - | - | 924 | 100% | 814 | - | - | 814 | 100% |
| Female | 357 | - | - | 357 | 100% | 337 | - | - | 337 | 100% |
| Other than Permanent | 494 | - | - | 494 | 100% | 392 | - | - | 392 | 100% |
| Male | 259 | - | - | 259 | 100% | 214 | - | - | 214 | 100% |
| Female | 235 | - | - | 235 | 100% | 178 | - | - | 178 | 100% |

3. **Details of remuneration/salary**

| Category | Male | | Female | |
|---|---|---|---|---|
| | Number | Median remuneration/ salary/ wages of respective category | Number | Median remuneration/ salary/ wages of respective category |
| Board of Directors | | | | |
| Executive Director^ | 1 | 7,61,91,810 | - | - |
| Non-Executive Directors^^ | 6 | 43,50,000 | 2 | 33,50,000 |
| Key Managerial Personnel | 1 | 1,70,51,937 | 1 | 96,25,704 |
| Employees other than BoD and KMP* | 683 | 11,93,928 | 272 | 7,65,951 |

^MD& CEO

^^Includes only directors who have received the remuneration during FY 22-23.

* Includes only employees who have worked for the entire 12-month period.

Note: Expenses towards gratuity and leave encashment provisions are determined actuarially on an overall basis at the end of each year and accordingly have not been considered in the above information. Perquisite value of stock options is excluded

4. **Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business? (Yes/No)**

   Yes, there are various committees responsible for human rights impacts and issues. For instance, the Company has zero tolerance for sexual harassment at workplace and is compliant with provisions relating to the constitution of Internal Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company has appointed a Nodal Officer who acts as a single point contact related to human rights issues.

5. **Describe the internal mechanisms in place to redress grievances related to human rights issues.**

   Respect for human rights is considered as one of the fundamental and core values of the Company. The Company strives to support, protect and promote human rights to ensure fair and ethical business and employment practices are followed. There are committees and policies formed to handle grievances and complaints related to human rights issues and the details are placed on the intranet of the Company.

   The Company has zero tolerance towards and prohibits all forms of child labour, slavery, forced labour, physical, sexual, psychological or verbal abuse.

6. **Number of complaints on the following made by employees and workers:**

| Particulars | FY 22-23 | | | FY 21-22 | | |
|---|---|---|---|---|---|---|
| | Filed during the year | Pending resolution at the end of year | Remarks | Filed during the year | Pending resolution at the end of year | Remarks |
| Sexual Harassment | NIL | NIL | - | 1 | 0 | Note |
| Discrimination at Workplace | NIL | NIL | - | NIL | NIL | - |
| Child Labour | NIL | NIL | - | NIL | NIL | - |
| Forced Labor/Involuntary Labour | NIL | NIL | - | NIL | NIL | - |
| Wages | NIL | NIL | - | NIL | NIL | - |
| Other Human Rights Related Issues | NIL | NIL | - | NIL | NIL | - |

Note: The complaint received was disposed of within the prescribed timelines in line with the provisions and spirit of the Act.

7. **Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.**

The Company is committed to maintaining safe and harmonious business environment and workplace for everyone, irrespective of the ethnicity, region, sexual orientation, race, caste, gender, disability, work, designation and such other parameters. The Company ensures sensitisation to important social factors like diversity and inclusion, workplace practices and prohibition of economic, racial or physical inequalities. The Company strives to support, protect and promote human rights to ensure fair and ethical business and employment practices are followed.

There are committees and policies formed to handle grievances and complaints related to human rights issues viz Internal Committee under the Sexual Harassment of Women at Workplace Whistle Blower Policy, etc and the details are placed on the intranet of the Company.

For instance, 6 (six) Internal Committees (IC) for different zones were constituted in accordance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 with women employees being a majority and an external member. The Policy, IC Members' details and the penal consequences of violating the said Act/ Policy are displayed at all offices/ ISCs and on the intranet of the Company. Regular employee awareness sessions are conducted to generate awareness about the policy, reporting mechanism and prevention of sexual harassment at the workplace.

8. **Do human rights requirements form part of your business agreements and contracts? (Yes/No)**

Yes, in certain business agreements and contracts where relevant.

9. **Assessments for the year**

| Particulars | % of your plants and offices that were assessed (by entity or statutory authorities or third parties |
|---|---|
| Child Labour | 100% |
| Forced Labour/Involuntary Labour | - |
| Sexual Harassment | 100% |
| Discrimination at workplace | - |
| Wages | 100% |
| Others | - |

10. **Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 9 above.**

No significant risk was identified as an outcome of the above-mentioned assessments/audits.





## Leadership Indicators

1. **Details of a business process being modified / introduced as a result of addressing human rights grievances/ complaints.**

The Company creates awareness about the Code of Conduct/policies to sensitise its employees. Employees of the organisation undergo various training programmes and some of the modules are mandatory for the new recruits which cover guidelines on Prevention of Sexual Harassment (POSH), information security, etc.

The Company strives to support, protect and promote human rights to ensure fair and ethical business and employment practices are followed, for instance 6 (six) Internal Committees (IC) for different zones were constituted in accordance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, with women employees being a majority and an external member. The Policy, IC Members' details and the penal consequences of violating the said Act/ Policy are displayed at all offices/ ISCs and on the intranet of the Company.

2. **Details of the scope and coverage of any Human rights due-diligence conducted.**

Refer response no 7 & 1 as above

3. **Is the premise/office of the entity accessible to differently abled visitors, as per the requirements of the Rights of Persons with Disabilities Act, 2016?**

Most of our offices are located in commercial premises which are on the ground floor or have elevators and infrastructure for differently abled persons; 75% of the offices have facilities for easy movement of differently abled visitors/employees. Also, most of our office washrooms are specially-abled friendly.

4. **Details on assessment of value chain partners:**

| Particulars | % of value chain partners (by value of business done with such partners) that were assessed |
|---|---|
| Sexual Harassment | These parameters are currently not assessed |
| Discrimination at Workplace | |
| Child Labour | |
| Forced Labour/Involuntary Labour | |
| Wages | |
| Other Human Rights Related Issues | |

5. **Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 4 above.**

Not applicable in view of point no 4.

## Principle 6: Businesses should respect and make efforts to protect and restore the environment

### Essential Indicators

1. **Details of total energy consumption (in Joules or multiples) and energy intensity:**

| Parameters | FY'23 | FY'22 |
|---|---|---|
| Total electricity consumption in GJ (A) | 13,384 | 12,867 |
| Total fuel consumption in GJ (B) | 1,863 | 1,642 |
| Energy consumption through other sources (C) | - | - |
| Total energy consumption (A+B+C) | 15,247 | 14,509 |
| Energy intensity per rupee of turnover (Total energy consumption in GJ / turnover in ₹ Crore) | 7.0 | 6.9 |

Note: if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency

**2. Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.**

Not applicable

**3. Provide details of the following disclosures related to water:**

| Parameter | FY'23 | FY'22 |
|---|---|---|
| Water withdrawal by source (in kilolitres) | | |
| (i) Surface water | - | - |
| (ii) Groundwater | - | - |
| (iii) Third party water | 6,387 | 4,335 |
| (iv) Seawater / desalinated water | - | - |
| (v) Others | - | - |
| Total volume of water withdrawal (in kilolitres) (i + ii + iii + iv + v) | 6,387 | 4,335 |
| Total volume of water consumption (in kilolitres) | 6,387 | 4,335 |
| Water intensity per rupee of turnover (KL/Crore) (Water consumed / turnover) | 2.95 | 2.05 |

Note: If any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

We have water meters in some of our offices, the water consumption for those offices have been extrapolated for all our other offices. No independent assessment/ evaluation/assurance has been carried out by an external agency.

Water consumption for the financial year 2022-23 is not comparable with financial year 2021-22 due to pandemic and information for FY 2021-22 is available since June-2021.

**4. Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation.**

As the Company's usage of water is restricted to human consumption purposes only, the Company has not implemented a mechanism for zero liquid discharge. However, the Company has taken various initiatives to consume water judiciously viz STP (Sewage Treatment Plant) at its head office. sensors taps at its head office, where water consumption is high and aerator taps in most of the offices.

**5. Please provide details of air emissions (other than GHG emissions) by the entity**

Note: If any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Not applicable

**6. Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity:**

| Parameter | Unit | FY 22-23 | FY 21-22 |
|---|---|---|---|
| Total Scope 1 emissions ($CO_2$, $CH_4$, $N_2O$, HFCs, PFCs, $SF_6$, $NF_3$) | $tCO_2e$ | 135 | 120 |
| Total Scope 2 emissions ($CO_2$, $CH_4$, $N_2O$, HFCs, PFCs, $SF_6$, $NF_3$) | $tCO_2e$ | 2,497 | 2,401 |
| Total Scope 1 and Scope 2 emissions per rupee of turnover | $tCO_2e$/ ₹Cr. Turnover | 1.21 | 1.19 |

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Yes, the company had appointed CRISIL to conduct its GHG inventory





*Breakup of metric tonnes of $CO_2$ equivalent of Scope1 emissions*

| Parameter | Unit | FY 22-23 | FY 21-22 |
|---|---|---|---|
| $CO_2$ | $tCO_2e$ | 132 | 118 |
| $CH_4$ | $tCO_2e$ | 2 | 1 |
| $N_2O$ | $tCO_2e$ | 1 | 1 |

**7. Does the entity have any project related to reducing Green House Gas emission? If yes, then provide details.**

The Company is shifting towards green methods of conducting business, such as shifting towards electronic transactions by creating a robust digital infrastructure, eliminating paper reports and forms wherever possible, recycling and reducing waste in all premises, etc. Kindly refer to initiatives mentioned in point no. 6 under leadership indicators of this principle.

**8. Provide details related to waste management by the entity**

| Parameter | FY 22-23 | FY 21-22 |
|---|---|---|
| Total waste generated & safely disposed (in kgs) | | |
| Plastic waste (A) | - | - |
| E-waste (B) (in kgs) | 685 | 831 |

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency

E-waste generated by the company is processed in an eco-friendly manner and the Company has accordingly received the certificate from the e-waste vendor Just Dispose Recycling Pvt. Ltd.

**9. Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.**

As the Company is into financial services, the Company does not require any hazardous and toxic chemicals. The Company's process of managing e-waste is validated by an external agency. The Company's head office has systems in place to convert wet waste into manure.

**10. If the entity has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals / clearances are required.**

| Sr.no | Location of operations/offices | Type of operations | Whether the conditions of environmental approval / clearance are being complied with? (Y/N) If no, the reasons thereof and corrective action taken, if any |
|---|---|---|---|
| The Company does not have any offices in ecologically sensitive areas | | | |

**11. Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year**

| Name and brief details of project. | EIA Notification No. | Date | Whether conducted by independent external agency (Yes / No) | Results communicated in public domain (Yes / No) | Relevant web link |
|---|---|---|---|---|---|
| Not Applicable | | | | | |

12. **Is the entity compliant with the applicable environmental law/ regulations/ guidelines in India; such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment protection act and rules thereunder (Y/N). If not, provide details of all such non-compliances.**

| Sr.no | Specify the law / regulation / guidelines which was not complied with | Provide details of the non-compliance | Any fines / penalties / action taken by regulatory agencies such as pollution control boards or by courts | Corrective action taken, if any |
|---|---|---|---|---|
| Not applicable | | | | |

### Leadership Indicators

1. **Break-up of the total energy consumed (in Joules or multiples) from renewable and non-renewable sources**

| Parameter | FY 22-23 | FY 21-22 |
|---|---|---|
| From Renewable Sources | | |
| Total electricity consumption (A) | - | - |
| Total fuel consumption (B) | - | - |
| Energy consumption through other sources (C) | - | - |
| Total energy consumed from renewable sources (A+B+C) | - | - |
| From Non-Renewable Sources | | |
| Total electricity consumption in GJ (D) | 13,384 | 12,867 |
| Total fuel consumption in GJ (E) | 1,863 | 1,642 |
| Energy consumption through other sources (F) | - | - |
| Total energy consumed from non-renewable sources (D+E+F) | 15,247 | 14,509 |

2. **Details related to water discharged**

Currently the Company does not measure water discharge

3. **Water withdrawal, consumption and discharge in areas of water stress (in kilolitres)**

Not applicable

4. **Details of total Scope 3 emissions and its intensity.**

| Parameter | Unit | FY 22-23 | FY 21-22 |
|---|---|---|---|
| Total Scope 3 emissions | $tCO_2e$ | 16,270 | 13,467 |
| Total Scope 3 emissions per rupee of turnover | $tCO_2e$/ ₹ Cr. Turnover | 7.51 | 6.37 |

Scope 3 emissions reported above encompass the emissions related to GHG protocol categories – Purchased Goods and Services, Capital Goods, Fuel and Energy related activities (not included in Scope 1 & Scope 2), Upstream transportation & distribution, Waste generated in operations, Business travel, and Employee commute.

Further, the following Scope 3 - GHG protocol categories are not applicable to the company – Upstream leased assets, Downstream transportation & distribution, Processing of sold products, Use of sold products, End-of-Life treatment of sold products, Downstream leased assets, and Franchises.

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency

Yes, the company had appointed CRISIL to conduct its GHG inventory

5. **With respect to the ecologically sensitive areas reported at Question 10 of Essential Indicators above, provide details of significant direct and indirect impact of the entity on biodiversity in such areas along with prevention and remediation activities.**

Not applicable





6. **If the entity has undertaken any specific initiatives or used innovative technology or solutions to improve resource efficiency, or reduce impact due to emissions / effluent discharge / waste generated, please provide details of the same as well as outcome of such initiatives:**

The Company is into service-oriented business primarily involved in the flow of information and financial transactions and hence the Company's carbon footprint is limited to the use of consumables, such as paper, plastic, office equipment, water and energy. The Company has taken some initiatives as described below in view of the same.

| Sr.no | Initiative undertaken | Details of the initiative (Web link, if any, may be provided along-with summary) | Outcome of the initiative |
|---|---|---|---|
| 1 | Physical Infrastructure to cloud | Migration of applications to cloud | One third of the physical servers were shut down and released. The migrated application runs on the cloud which uses latest server technologies with enhanced performance. |
| 2 | E-waste Management | E-waste processed in an eco-friendly manner | 685 kgs of e-waste was processed in an eco-friendly manner |
| 3 | Eco friendly diary distributed for 2023 | The diary is made from 1/3 Kg of 100% recycled paper | Each diary saved 1-1.5 Kg of Wood, 13-14 litres of Water, 3Kwh of Energy and lots more. |
| 4 | Robust Digital Environment | The Company has consistently invested in technology and built a robust digital environment in the organisation | 81% of transactions were executed digitally in FY 22-23 |
| 5 | Nurture Nature | A tree was planted for every online SIP in Equity oriented & Gold schemes which were registered for a specific tenure | Environment friendly investments |
| 6 | Timers for signage boards | Deployment of timers for signage boards | Less Power Consumption |
| 7 | Bio-diversity Park | As part of its CSR Initiatives towards Environmental Sustainability, the company supported the development of "Biodiversity Park" | Creation of an urban forest using the Akira Miyawaki technique and rejuvenation of waterbody |

7. **Does the entity have a business continuity and disaster management plan? Give details in 100 words/ web link.**

Yes, the Company has devised a robust disaster recovery and business continuity plan with strategies like utilising branches as alternate sites, remote working and IT disaster recovery site, which are tested on a regular basis. Critical data is replicated every hour to both the intra-city and inter-city sites, while non-critical user data is replicated every 24 hours to the Far DR site. All databases are replicated to DR site as per the RPO (Recovery Point Objective). These plans also cover the entire operations of the AMC, and these are periodically tested and results are placed before the Board of Directors.

8. **Disclose any significant adverse impact to the environment, arising from the value chain of the entity. What mitigation or adaptation measures have been taken by the entity in this regard?**

Not applicable

9. **Percentage of value chain partners (by value of business done with such partners) that were assessed for environmental impacts.**

Not applicable

**Principle 7: Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent**

### Essential Indicators

1. a. **Number of affiliations with trade and industry chambers/ associations.**

The Company is member of four trade and industry chambers/associations.

b. **List the top 10 trade and industry chambers/ associations (determined based on the total members of such body) the entity is a member of/ affiliated to:**

| Sr.no | Name of the trade and industry chambers/ associations | Reach of trade and industry chambers/ associations (State/National) |
|---|---|---|
| 1 | Association of Mutual Funds in India (AMFI) | National |
| 2 | Indian Association of Alternative Investments Funds (IAAIF) | National |
| 3 | Bombay Chamber of Commerce and Industry | State |
| 4 | Association of Portfolio Managers in India | National |

2. **Provide details of corrective action taken or underway on any issues related to anti-competitive conduct by the entity, based on adverse orders from regulatory authorities.**

| Name of authority | Brief of the case | Corrective action taken |
|---|---|---|
| No material instances reported | | |

### Leadership Indicators

1. **Details of public policy positions advocated by the entity:**

| Sr.no | Public policy advocated | Method resorted for such advocacy | Whether information available in public domain? (Yes/No) | Frequency of Review by Board (Annually/ Half yearly/ Quarterly / Others – please specify) | Web link, if available |
|---|---|---|---|---|---|
| 1 | The Company is the member of Association of Mutual Fund of India ("AMFI"). AMFI is dedicated to developing the Indian mutual fund industry by protecting the interest of investors/unitholders, creating awareness about mutual funds, recommending and promoting best business practices and code of conduct, etc. | Senior leadership team of the Company takes active part in various committees of AMFI, aimed at spreading financial literacy, increasing investor awareness, among others. Also, the Company has advocated through AMFI, various governance, administration, economic and educational reforms. | Yes | Ongoing & Need based | https://www.amfiindia.com/ |
| 2 | The Company is the member of Association of Portfolio Managers in India APMI. ("APMI"). APMI strives to protect and promote the interests of the portfolio management industry and its investors, to define and maintain high professional and ethical standards, etc. | Senior leadership team of the Company takes active part in various forums. | Yes | Ongoing & Need based | https://www.apmiindia.org/ |

## Principle 8: Businesses should promote inclusive growth and equitable development

### Essential Indicators

1. **Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year.**

| Name and brief details of project | SIA Notification No. | Date of notification | Whether conducted by independent external agency (Yes / No) | Results communicated in public domain (Yes / No) | Relevant Web link |
|---|---|---|---|---|---|
| Not Applicable* | | | | | |

*Social Impact Assessments (SIA) w.r.t. Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013.





2. **Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity.**

| Sr.no | Name of Project for which R&R is ongoing | Corrective action taken | State | District | No. of Project Affected Families (PAFs) | % of PAFs covered by R&R | Amounts paid to PAFs in the FY (In INR) |
|---|---|---|---|---|---|---|---|
| Not applicable | | | | | | | |

3. **Describe the mechanisms to receive and redress grievances of the community**

The Company is a responsible corporate citizen and we have grievance redressal mechanisms in place to redress grievances from stakeholders.

4. **Percentage of input material (inputs to total inputs by value) sourced from suppliers**

| Particulars | FY 22-23 | FY 21-22 |
|---|---|---|
| Directly sourced from MSMEs/ small producers* | 8.8% | 9.1% |
| Sourced directly from within the district and neighbouring districts^ | - | - |

*Amount spent is considered
^ At present, we do not track this given the nature of business

### Leadership Indicators

1. **Provide details of actions taken to mitigate any negative social impacts identified in the Social Impact Assessments (Reference: Question 1 of Essential Indicators above)**

| Details of negative social impact identified | Corrective action taken |
|---|---|
| Not applicable in view of Question 1 of Essential Indicators | |

2. **Provide the following information on CSR projects undertaken by your entity in designated aspirational districts as identified by government bodies**

| S. No | State | Aspirational District | Amount spent (In INR) |
|---|---|---|---|
| 1 | Madhya Pradesh | Khandwa | 1,21,29,772 |
| 2 | Maharashtra | Nandurbar, Washim, Gadchiroli, Osmanabad | 1,50,00,000 |

3. (a) **Do you have a preferential procurement policy where you give preference to purchase from suppliers comprising marginalised /vulnerable groups? (Yes/No)**

(b) **From which marginalised /vulnerable groups do you procure?**

(c) **What percentage of total procurement (by value) does it constitute?**

Given the nature of the business, purchases from suppliers under the above-mentioned groups are limited. However, during the year, the Company procured umbrellas and fabric covered file folders from non- governmental organisations like NADE (The National Association of Disabled's Enterprises) and Jai Vakeel Foundation respectively. These organisations support and serve visually impaired, hearing/speech impaired, orthopedically and mentally challenged persons.

4. **Details of the benefits derived and shared from the intellectual properties owned or acquired by your entity (in the current financial year), based on traditional knowledge**

| Sr.no | Intellectual Property based on traditional knowledge | Owned/ Acquired (Yes/No) | Benefit shared (Yes / No) | Basis of calculating benefit share |
|---|---|---|---|---|
| Not applicable | | | | |

5. **Details of corrective actions taken or underway, based on any adverse order in intellectual property related disputes wherein usage of traditional knowledge is involved.**

| Name of authority | Brief of the case | Corrective action taken |
|---|---|---|
| | Not Applicable | |

6. **Details of beneficiaries of CSR Projects**

| Sr. No | CSR Project | No. of persons benefitted from CSR Projects | % of beneficiaries from vulnerable and marginalised groups |
|---|---|---|---|
| 1 | **CSR Projects for Healthcare**<br>• Indian Cancer Society - Cancer Support – Cancer Cure Fund & Arun Kurkure Initiation & Treatment Fund – Cancer Support<br>• Deepsikha - Cancer Support<br>• Rotary Club of Bombay - Dharamshala Project- Cancer Support<br>• Pericia Healthcare – Skilling of Healthcare Professionals | • Cancer Patients & attendants – 16,093<br>• Healthcare workers - 500 | 100% |
| 2 | **CSR Projects for Education**<br>• Ashoka University –Quality Infrastructure<br>• Parivaar Seva Kutirs in Madhya Pradesh – Overall development & nutrition<br>• Sampark Foundation -Foundational Learning<br>• Bombay Scottish Orphanage Society - Refurbishment of Heritage Site | Students – 2,80,429<br>Teachers – 9,736 | 100% |
| 3 | **CSR Projects for Sports**<br>• Olympic Gold Quest – Training, Coaching, Equipment and Sports Science | 52 Athletes<br>30 Para Athletes | - |

HDFC AMC as part of its CSR Initiatives towards Environmental Sustainability has supported the development of "Biodiversity Park" for creation of an urban forest using the Akira Miyawaki technique and rejuvenation of waterbody. The project spreads over a 59,000 sq. ft area of the Kalina Campus of the University of Mumbai.

## Principle 9 Businesses should engage with and provide value to their consumers in a responsible manner

### Essential Indicators

1. **Describe the mechanisms in place to receive and respond to consumer complaints and feedback.**

At HDFC AMC, providing excellent service has been the cornerstone of customer centricity. The Company always endeavors to raise those standards that truly reflect the brand. In a world where customers are increasingly better informed, it is imperative that company's frontline service support is agile, well-trained and customer centric. The Company relentlessly educates its staff on these objectives.

*Mechanism to receive the Consumer complaints and feedback*

As part of our endeavor in offering the very best of products and ensuring high service standards, we believe that our customers should be able to seamlessly contact us to offer their comments on our products/services and also to air their grievances. The Company has put in place a Customer Query & Grievance Redressal Policy and set up processes and technology supported infrastructure to support this function. As part of the policy, the management continuously reviews the grievances to systemically strengthen its processes leading to progressive reduction in complaints. The following are the various avenues for the customer to contact/write to us, depending on their convenience.

*E-mail:*

Investors can email us at our corporate email id - hello@hdfcfund.com for any queries, complaints or feedback they have. They can also post their grievances/feedback/queries/complaints on the 'Write to Us' link available on the website (https://www.hdfcfund.com/contact-us/get-in-touch). Alternatively, they can also write to the RTA CAMS on enq_h@camsonline.com.

*Call centre:*

Investors can call us from 9.00 am to 6.00 pm (Monday to Friday) and 9.00 am to 1.00 pm (Saturday) on the toll-free numbers 1800 3010 6767/ 1800 419 7676. Investors calling from abroad can call us on 91 44 33462406.

*SMS:*

Investor can SMS 'HDFCMF' to 56767.

*Escalation:*

The company has a well-defined escalation matrix. Investors can choose to route their query through these escalation levels should they feel that they have not received a satisfactory response at the initial stage.

*Escalation Level 1:*

Investors who are not satisfied with the resolution of their grievance, can write to our Investor Relations Officer Mr. Sameer Seksaria – Head Corporate Client Services.

*Escalation Level 2:*

Investors who are not satisfied with the resolution of their complaint may approach Ms. Supriya Sapre - Chief Compliance Officer, as the next escalation level.

*Escalation Level 3:*

Investors who are not satisfied with the resolution of their complaint may approach Mr. Navneet Munot – MD & CEO, as the next escalation level

In case the investor is still not satisfied with our responses, he/she can further lodge a complaint in electronic mode with SEBI on SEBI's portal – 'SCORES' (SEBI Compliant Redressal System), which is a centralised web-based complaints redress system. These complaints are received by the Company for resolution, and the resolution is updated in the portal.

*Mechanism to respond to consumer complaints:*

All queries and complaints received across various touch points are processed through the central Customer Relationship Management application which has a rule-based allotment logic for disseminating the same amongst our branches and central staff who will provide the final response to the customers. There are defined service levels assigned for each type of complaint.

The Company regularly undertakes Root Cause Analysis of the top complaint types with the help of the service team at branches who are supported by the Corporate Client Services (CCS) team at the corporate office. Regional Service Managers (RSMs), who focus on service delivery across various regional offices, conduct periodic visits to branches and engage with the staff and augment support to the branches, besides seeking feedback. The CCS team engages with these RSMs to work on the feedback and also trains them routinely. Service delivery and quality assessment are measured, using multiple parameters like turnaround time, repeat complaints, escalations etc. which are evaluated on a periodic basis to improve and provide seamless delivery.

The Compliance team also oversees redressal of customer grievances.

The Company has put in place a Stakeholders' Relationship Committee, which reviews the activities carried out by the Investor Service Centers (ISCs) / branches of the Company and their adherence to service standards, reviews the steps taken by the Company to redress the grievances of the investors and the cases, if any, pending before the Courts/ Forums/ Regulatory Authorities against the Company etc.

It is important that all stakeholders who work towards enhancing customer experience should work in tandem. The RTA, CAMS, forms the backbone of service delivery chain. The Company works closely with CAMS to ensure smooth operations and seamless client experience.

2. **Turnover of products and/ services as a percentage of turnover from all products/service that carry information about:**

| Particulars | As a percentage to the total turnover |
|---|---|
| Environmental and social parameters relevant to the product | Not applicable |
| Safe and responsible usage | |
| Recycling and/or safe disposal | |

3. **Number of consumer complaints in respect of the following:**

| Particulars | FY 22-23 | | | FY 21-22 | | |
|---|---|---|---|---|---|---|
| | Received during the year | Pending resolution at end of year | Remarks | Received during the year | Pending resolution at end of year | Remarks |
| Data privacy | - | - | - | - | - | - |
| Advertising | - | - | - | - | - | - |
| Cyber-security | - | - | - | - | - | - |
| Delivery of essential services | 2,190 | 12 | - | 2,598 | 8 | - |
| Restrictive Trade Practices | - | - | - | - | - | - |
| Unfair Trade Practices | - | - | - | - | - | - |

4. **Details of instances of product recalls on account of safety issues**

| Particulars | Number | Reasons for recalls |
|---|---|---|
| Voluntary recalls | Not Applicable | |
| Forced recalls | | |

5. **Does the entity have a framework/ policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web-link of the policy.**

Yes, the company has Board approved Information Security Policy, Cyber Security Policy, Cyber Crisis Management Policy and Business Continuity Policy. Given the rapid technological and digital advancement, cyber risks are inevitable. The Company has a strong Cyber Risk Management framework wherein cyber risk and its mitigation are monitored by the Information Technology & Security Committee and Risk Management Committee of the Company.

Key areas covered under the cyber risk management include strong adherence to the Board approved Information and Cyber Security policies, compliance with SEBI guidelines and ISO 27001 standards to ensure that the Company is in line with industry best practices. The Company maintains a robust cyber security architecture and has in place a cyber-resilience framework to protect the integrity of data and guard against breaches of privacy. The Company also trains employees on cyber security.

The Company ensures that cyber security controls and practices are embedded into the business process and it follows concept of 'Security by Design'. Enhanced cyber security practices and effective governance have resulted in matured cyber security frameworks. IT assets are reviewed and audited regularly by independent agencies. Systems are subject to intense scrutiny and validations in the systems audit. Proactive measures are taken to ensure that they are adequately protected against external threats.

6. **Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty / action taken by regulatory authorities on safety of products / services.**

NIL





## Leadership Indicators

1. **Channels / platforms where information on products and services of the entity can be accessed (provide web link, if available)**

The information on products & services of the Company is available through various touchpoints

- Website: www.hdfcfund.com
- Company's Mobile applications- HDFC MF Online – Investors, and HDFC MF Online – Partners
- All leading Fintech Platforms
- Distributors / RIA
- MF Central: www.mfcentral.com
- Call center @ 1800 3010 6767 / 1800 419 7676
- HDFC Mutual Fund Branches
- CAMS Service Centers
- CAMS investor portal: mycams.camsonline.com

2. **Steps taken to inform and educate consumers about safe and responsible usage of products and/or services.**

The Company complies with all disclosure requirements relating to its products and services, as per AMFI/SEBI guidelines on product labelling within risk and disclosure categories. The Company on a monthly basis provides disclosure of Riskometers' which covers scheme-wise risks and is available on Company's Website. Additionally, the Riskometer is also updated as and when it is warranted by the scheme. An addendum is issued in this case. The Company also has product literatures which has Riskometer for various product schemes.

For the safety of customer, the Company sends communication to educate and advise customers on guarding themselves against financial frauds.

As part of the Go Green initiative in Mutual Funds, and providing information to investors in a cost effective yet transparent manner, following steps have been implemented:

- We do not encourage printing of physical account statements at branches and instead request clients / distributors to opt for statements through electronic mode.
- Customers are able to raise and process most of their service requests electronically with the confirmations also being sent to them electronically.
- Latest NAVs of all schemes have been prominently disclosed under a separate head on our website and is also provided through SMS & call center upon request.

3. **Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services.**

- The Company has devised a robust Disaster Recovery (DR) and Business Continuity Plan (BCP) which covers entire operations of the AMC. Communications on any disruption/ discontinuation of essential services, albeit rare, are intimated to customers through emails, call centers, company's website and other modes of electronic communication.
- The Company continued to offer seamless service to its customers during the pandemic as the BCP was fully tested and all the critical functions worked without disruption from alternate sites, while adhering to all regulatory timelines.
- As part of the QRTA compliance, CAMS conducts BCP drill every six months including unannounced drills and the BCP has been successfully invoked over the years due to floods, cyclone etc. and also during the ongoing pandemic. The BCP is a part of their governance framework. As part of the plan, workforce of 500+ employees (~30% of overall workforce) works out of their alternative site in Coimbatore thus ensuring that all critical services can operate independently from either site. Two DR Data Centers have been setup, one in Chennai (near site) which is the primary data center and the other in Mumbai (far site). The management of both the AMC & CAMS regularly review the BCP & DR plans and strengthen these further in order to ensure that we continue to support our clients during any exigency.

4. **Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/No/Not Applicable) If yes, provide details in brief.**

The Company has always believed in being transparent with its customers by providing all the relevant details. Product communication is done through SMS, mails and other platforms. The Company also displays the following documents on the website:

- Fact sheet
- Scheme performance
- Product literature

**Did your entity carry out any survey with regard to consumer satisfaction relating to the major products / services of the entity, significant locations of operation of the entity or the entity as a whole? (Yes/No)**

- The Company seeks feedback from its customers at various stages and customer complaints/grievances are reviewed for a root cause analysis, which also gives opportunity to improve the services.
- IVR CSAT (Interactive Voice Response Customer Satisfaction) survey is conducted by the call centre in order to record the pulse/experience of the investor. Once the query is resolved, the customer can rate his/her experience on the call via a short IVR survey. The survey is captured in real time. As a follow up activity, those who have provided low ratings are called back to seek feedback on improvement areas.

**5. Information relating to data breaches:**

*a. Number of instances of data breaches along-with impact*

*b. Percentage of data breaches involving personally identifiable information of customer*

- The Company did not witness any instances of data breaches during the year. The Company also has cyber risk insurance policies.
- The Company maintains a robust cyber security architecture to protect the integrity of data and guard against breaches of privacy
- The Company is also aware of the human element of cyber security and data privacy. It sends communication to educate and advise customers on these practices to prevent any breaches at their end





# Corporate Governance Report

## Philosophy on the Code of Governance

Your Company's Corporate Governance Philosophy flows from the "Ethos of HDFC AMC" which emphasises on cardinal principles of the Company's corporate governance i.e. integrity, fair and transparent disclosures, accountability, and responsibility.


Anchored in our culture of transparency, governance, ethical corporate behavior and environmental and societal obligations, we are taking confident strides towards achieving our vision of becoming the **"most respected asset manager"** in the world and our mission to be the **"wealth creator for every Indian"** which underpins the Corporate Governance philosophy of the Company.

HDFC AMC believes that your trust is our benchmark, and we constantly strive to remain ahead of it by imbibing a philosophy of robust corporate governance practices by proactive inclusion of public interest in our corporate priorities and societal outreach. These strong corporate governance values and principles have been the Company's hallmark inherited from our parent Company HDFC Ltd.

Our Board of Directors are committed to sound principles of Corporate Governance in the Company and are the ultimate custodians of governance. They evaluate and review the Company's strategic business plans, effectiveness of policies mandated under various regulations.

## Board of Directors

The Company's Board is diverse with a mixed blend of expertise, professional and experience. It comprises 10 (ten) members as on March 31, 2023, of which 9 (nine) are Non-Executive Directors including the Chairman and one Executive Director i.e., the Managing Director & Chief Executive Officer (CEO). Of the 9 (nine) Non-Executive Directors, 5 (five) are Independent Directors. None of the Directors of your Company are related to each other or are debarred from holding the office of director by SEBI or any other authority. They have also confirmed that they satisfy the fit and proper criteria as prescribed under the applicable regulations. The composition of the Board is in conformity with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and the Companies Act, 2013 ("the Act").

For a brief profile of the Board members, refer to page 32 of this Annual Report.

### Directorship and membership on the board/board committees of other public companies

| Name of Director | Category | As on March 31, 2023 | | | | |
|---|---|---|---|---|---|---|
| | | Number of Directorships* | Number of committees** | | Listed Entities | |
| | | | Member | Chairman | Name of the Company | Nature of Directorship |
| Mr. Deepak Parekh | Non-Executive Non -Independent Director | 4 | - | - | 1. Siemens Limited | Non-Executive Director (Chairman) |
| | | | | | 2. HDFC Life Insurance Company Limited | Non – Executive Director (Chairman) |
| | | | | | 3. Housing Development Finance Corporation Limited (HDFC Ltd.) | Non-Executive Director - (Chairman) |
| Mr. Keki Mistry | Non-Executive - Non Independent Director | 5 | 8 | 2 | 1. Tata Consultancy Services Limited | Independent Director |
| | | | | | 2. Torrent Power Limited | Independent Director |
| | | | | | 3. HDFC Life Insurance Company Limited | Non – Executive Director |
| | | | | | 4. HDFC Ltd. | Vice Chairman & CEO |
| Ms. Renu Sud Karnad | Non-Executive - Non Independent Director | 6 | 5 | 2 | 1. HDFC Life Insurance Company Limited | Non-Executive Director |
| | | | | | 2. HDFC Ltd. | Managing Director |
| | | | | | 3. HDFC Bank Limited | Nominee Director |
| | | | | | 4. GlaxoSmithKline Pharmaceuticals Limited | Non-Executive Director (Chairperson) |
| Mr. Rushad Abadan | Non-Executive - Non Independent Director | - | - | - | - | - |
| Mr. Dhruv Kaji | Non-Executive - Independent Director | 3 | 5 | 1 | 1. Network18 Media & Investments Limited | Independent Director |
| | | | | | 2. Ceinsys Tech Limited | Independent Director |
| | | | | | 3. TV18 Broadcast Limited | Independent Director |
| Mr. Jairaj Purandare | Non-Executive - Independent Director | 2 | 3 | 3 | 1. Piramal Pharma Limited | Independent Director |
| Mr. Sanjay Bhandarkar | Non-Executive - Independent Director | 7 | 5 | 4 | 1. The Tata Power Company Limited | Independent Director |
| | | | | | 2. Chemplast Sanmar Limited | Independent Director |
| Mr. Parag Shah | Non-Executive - Independent Director | 4 | 1 | - | - | - |
| Ms. Roshni Nadar Malhotra | Non-Executive Independent Director | 1 | 1 | - | 1. HCL Technologies Limited | Non-Executive Director |
| Mr. Navneet Munot - Managing Director & Chief Executive Officer | Executive Director | 1 | - | - | - | - |

**Notes:**

- Mr. Shashi Kant Sharma ceased to be Independent Director of the company w.e.f. April 11, 2022.

- Mr. Rushad Abadan ceased to be Non-Executive Director of the company w.e.f. the close of business hours of April 18, 2023.

*Excludes directorship in Private Limited Companies, Foreign Companies and Section 8 Companies. Also excludes directorship in the Company.

**Membership and Chairmanship in Audit Committee and Stakeholders Relationship Committee in all public limited companies have been considered. Also, excludes chairmanship and membership in the Company.





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

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

| Name of Director | Qualification | Field of Specialisation |
|---|---|---|
| Mr. Deepak Parekh, Chairman | Fellow of the Institute of Chartered Accountants (England and Wales) | • International Expertise/Strategic Planning<br>• Risk Management Expertise<br>• Financial Expertise<br>• Marketing Expertise<br>• Operational Expertise<br>• Industry Expertise<br>• Regulatory Expertise<br>• Mergers and Acquisitions |
| Mr. Keki Mistry | Fellow of the Institute of Chartered Accountants of India | • Risk Management Expertise<br>• Financial Expertise<br>• Operational Expertise<br>• Industry Expertise<br>• Regulatory Expertise<br>• Mergers and Acquisitions |
| Ms. Renu Sud Karnad | Master's degree in Economics from University of Delhi; Bachelor's degree in Law from the University of Mumbai. Parvin Fellow – Woodrow Wilson School of Public and International Affairs, Princeton University, US | • Risk Management Expertise<br>• Financial Expertise<br>• Legal Expertise<br>• Industry Expertise |
| Mr. Rushad Abadan | Bachelor's degree in Commerce from Sydenham College, Mumbai; Graduate in law from Government Law College, Mumbai; Solicitor – India; Solicitor – England and Wales | • Legal Expertise<br>• Risk Management Expertise<br>• Financial Expertise<br>• Mergers and Acquisitions<br>• Industry (Asset Management Business) Expertise |
| Mr. Dhruv Kaji | Bachelor's degree in Commerce (University of Mumbai) and Associate Member of Institute of Chartered Accountants of India | • International Expertise/Strategic Planning<br>• Financial Expertise<br>• Operational Expertise<br>• Mergers and Acquisitions |
| Mr. Jairaj Purandare | B.Sc. (Hons), University of Mumbai; Fellow Member of Institute of Chartered Accountants of India | • International Expertise/Strategic Planning<br>• Financial Expertise<br>• Operational Expertise<br>• Industry Expertise<br>• Regulatory Expertise |
| Mr. Sanjay Bhandarkar | B. Com., University of Pune; MBA, XLRI Jamshedpur | • Technology/Digital Media Expertise<br>• Risk Management Expertise<br>• Financial Expertise<br>• Regulatory Expertise |
| Mr. Parag Shah | Bachelor's degree in Science (Computer Engineering) from the Illinois Institute of Technology; Graduate of the General Management Program of the Harvard Business School | • International Expertise/Strategic Planning<br>• Technology/Digital Media Expertise<br>• Financial Expertise<br>• Industry Expertise<br>• Mergers and Acquisitions |
| Ms. Roshni Nadar Malhotra | MBA from the Kellogg Graduate School of Management, Northwestern University | • International Expertise/Strategic Planning<br>• Financial Expertise<br>• Marketing Expertise |

| Name of Director | Qualification | Field of Specialisation |
| --- | --- | --- |
| Mr. Navneet Munot | Master's degree in Commerce; Chartered Accountant; Chartered Financial Analyst; Chartered Alternative Investment Analyst; Certified Financial Risk Manager | • International Expertise/Strategic Planning<br>• Risk Management Expertise<br>• Financial Expertise<br>• Marketing Expertise<br>• Legal Expertise<br>• Operational Expertise |

### Responsibilities

Your Company has a well-defined framework that enables the Board to provide strategic direction and effective oversight of the Management. The Board also ensures that your Company's existing corporate governance practices are enhanced by incorporating values of fair business practices, transparency for promoting a culture of corporate and social responsibility. To focus on crucial issues, various Committees are constituted under the supervision of the Board with specific delegated responsibilities.

The Board believes that the corporate governance practices adopted by your Company empowers the executive to effectively manage the Company's affairs. The decision-making powers entrusted to the executive management with proper oversight and guidance by the Board enables the Company to achieve its vision, stakeholder aspirations and societal expectations. Codes and policies mandated as per the applicable laws have been implemented in spirit and letter by the Company.

### Independent Directors

Independent Directors are appointed/re-appointed based on the recommendation of the Nomination & Remuneration Committee (NRC) and approval of the Board. As required under the Listing Regulations, for every appointment of Independent Director, the NRC evaluates the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, the NRC identifies the candidate for appointment as an Independent Director. Re-appointments are made based on evaluation of their contributions.

Accordingly, the Board of Directors of the Company at its meeting held on April 25, 2023 based on the recommendation of the NRC, has approved re-appointment(s) of following directors as Independent Directors for a second term of 5 (five) consecutive years subject to approval of the shareholders of the company by Special Resolution at the ensuing Annual General Meeting ("AGM"):

| Sr. No. | Name of Directors | Tenure |
| --- | --- | --- |
| 1 | Mr. Dhruv Kaji | October 31, 2023 up to October 30, 2028 |
| 2 | Mr. Jairaj Purandare | |
| 3 | Mr. Sanjay Bhandarkar | |
| 4 | Mr. Parag Shah | January 22, 2024 up to January 21, 2029 |
| 5 | Ms. Roshni Nadar Malhotra | April 27, 2024 up to April 26, 2029 |

In compliance with the provisions of Regulation 17(1A) of the Listing Regulations, the approval of the members by special resolution is also sought for re-appointing Mr. Kaji, who would be attaining the age of 75 years during his second term of appointment as an Independent Director.

Further, Mr. Shashi Kant Sharma (DIN: 03281847), Independent Director of the Company, has resigned as Director with effect from April 11, 2022, as he was not in a position to devote adequate time to the affairs of the Company due to his pre-occupation elsewhere. Mr. Sharma has confirmed that there are no other material reasons for his resignation other than the one mentioned above.

All the Independent Directors have confirmed that they meet the criteria as mentioned under Listing Regulations and Section 149 of the Act. The maximum tenure of Independent Directors is in accordance with the Act and other applicable Regulations.

Based on the declarations received from the Independent Directors, the Board is of the opinion that, all the Independent Directors fulfill the conditions specified in the Act, Listing Regulations and are independent of the Management.

### Meeting of Independent Directors

Independent Directors are mandated to hold at least one meeting in a financial year, where Non-Independent Directors are not present. In such meetings, the Independent Directors review the performance of Non-Independent Directors and the Board as a whole; the Chairman of the Company taking into account the views of Executive/Non-Executive Directors; and assess the quality, quantity and timely flow of information between your Company's management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

During FY 2022-23, the Independent Directors met once on March 24, 2023.

### Familiarisation Programme

As part of the Familiarisation Programme, the Directors of the Company are updated on regular basis with changes in the Mutual Fund industry, regulatory developments and different business practices adopted in the Industry. The programme also includes an overview and outlook of the Indian economy, markets, trends, risk management mechanism, among others. An orientation programme is conducted for the newly inducted Independent Directors to introduce them to the business practices, codes and policies, compliance practices, corporate culture of the Company including the mutual fund business, regulatory developments affecting the Company. During the year, the Company had recommended and facilitated the Directors to attend the Masterclass for Directors Programme for Independent Directors of the Company which was organised by Institute of Directors (IOD), a knowledge partner of IICA. Further, training session was conducted for all its Directors on initiatives taken by the Company in Environmental, Social and Governance (ESG) areas.

An overview of the familiarisation programme during the year is available on your Company's website at https://www.hdfcfund.com/about-us/corporate-governance/code-policy.

### Board meetings

The meetings of the Board of Directors are normally held at your Company's Registered Office in Mumbai. Video conferencing facilities are made available to conduct such meetings in case physical presence is not possible and most of the meetings of the Board and its Committees during the year were held through video conferencing.

The Chairman ensures that the meeting is conducted in such way that the business for which it was convened is properly attended to, and that all those entitled to may express their views and that the decisions taken by the meeting adequately reflect the views of the meeting as a whole. He summarises the discussions to ensure that members are in agreement with the Board's view on the issues discussed.

At the Board/Committee meetings, the Managing Director & Chief Executive Officer and Senior Management, who are invited to those meetings, make presentations on various matters including the financial results, operations related issues, risk management, the economic and regulatory changes.

During the financial year, five (5) Board meetings were held i.e. on April 27, 2022; June 29, 2022; July 22, 2022; October 19, 2022; and January 24, 2023.

### Attendance at 5 (five) Board meetings held during FY 2022-23 and at the last AGM

| Name of the Director | Number of Board meetings | | Attendance at the 23rd AGM |
| --- | --- | --- | --- |
| | Held during tenure | Attended | |
| Mr. Deepak Parekh | 5 | 5 | YES |
| Mr. Keki Mistry | 5 | 4 | YES |
| Ms. Renu Sud Karnad | 5 | 5 | YES |
| Mr. Rushad Abadan | 5 | 3 | NO |
| Mr. Dhruv Kaji | 5 | 5 | YES |
| Mr. Jairaj Purandare | 5 | 5 | YES |
| Mr. Sanjay Bhandarkar | 5 | 5 | YES |
| Mr. Parag Shah | 5 | 5 | YES |
| Mr. Shashi Kant Sharma[1] | 0 | - | NO |
| Ms. Roshni Nadar Malhotra | 5 | 3 | NO |
| Mr. Navneet Munot | 5 | 5 | YES |

[1] Mr. Shashi Kant Sharma ceased to be Independent Director of the company w.e.f. April 11, 2022.

To enable better and more focused attention on the affairs of the Company, the Board delegates particular matters to committees of the Board set up for the purpose. The composition and functioning of these board committees is in compliance with the applicable provisions of the Act and Listing Regulations.

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

## Audit Committee

The Audit Committee consists of 4 (four) Non-Executive Directors of which three are Independent Directors, who are well-versed with accounting, financial matters and corporate laws. The Chairman of the Audit Committee was also present at the last AGM of the Company.

During the year, six (6) Audit Committee meetings were held i.e. on April 27, 2022; June 29, 2022; July 22, 2022; October 19, 2022; January 24, 2023 and March 24, 2023.

**Audit Committee composition and attendance of members at the 6 (six) meetings held in FY 2022-23**

| Name of the Director | Number of meetings | |
|---|---|---|
| | Held during tenure | Attended |
| Mr. Dhruv Kaji (Chairman) | 6 | 6 |
| Mr. Jairaj Purandare | 6 | 6 |
| Mr. Keki M. Mistry | 6 | 5 |
| Mr. Sanjay Bhandarkar | 6 | 6 |
| Mr. Shashi Kant Sharma[1] | 0 | - |

[1] Mr. Shashi Kant Sharma ceased to be Independent Director of the company w.e.f. April 11, 2022.

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

The terms of reference for the Audit Committee broadly includes:

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





13. To formulate the scope, functioning, periodicity and methodology for conducting the internal audit in consultation with the Internal Auditor.
14. Discussion with internal auditors any significant findings and follow up there on.
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
17. Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
18. Reviewing the functioning of the Whistle Blower Mechanism.
19. Approval of appointment of Chief Financial Officer.
20. Reviewing the compliance with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015 at least once in a financial year and verify that the systems for internal control are adequate and are operating effectively.
21. Review, approve, recommend, as applicable, financial reporting process, accounting policy issues for the Schemes including any proposed changes to the accounting policies and practice with respect to transactions with related parties of HDFC Mutual Fund, etc.
22. Review the audit opinion issued by the statutory auditors.
23. Consider and recommend adoption of financial statements including half yearly unaudited financial results prepared for the Scheme.
24. Review the system of internal controls and the audit processes for the Mutual Fund operations, including observations, rectifications if suggested by internal / external auditors are acted on.
25. Review of the internal auditors' reports, recommend and forward observations to the Trustee board.
26. Recommending for approval, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor of the Mutual Fund, Internal Auditor of the Mutual Fund, etc. and the fixation of fees for audit and any other services rendered by the Statutory Auditors with respect to the Mutual Fund including the scope of the Internal audit.
27. Reviewing the Internal Audit Reports of the Schemes of Mutual Fund (including Internal Audit Report of critical activities outsourced by the AMC such as Custodian, Fund Accounting, the Registrar and Transfer Agent activity, etc.).
28. Reviewing the findings of any internal investigations by the AMC / internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature or issues highlighted or referred through whistle blower complaints, etc.
29. Reviewing Regulatory Inspection Reports.
30. Reviewing implementation status of all outstanding action points arising out of Internal Audit Reports, Statutory Audit Reports, Systems Audit Reports, Inspection Reports etc.
31. Reviewing the adequacy of the internal control systems, including defining metrics for measuring internal controls, seeking comments of the internal auditors about Internal Control Systems, etc. and the steps taken towards improving the effectiveness of internal control system including through automation.
32. Interacting with the statutory and internal auditors of the Mutual Fund, at least once annually without engagement of management of the AMC. Besides the mandatory requirement specified, such interactions may be held whenever felt necessary by the Independent Directors of the Audit Committee.
33. Evaluating various internal control measures in terms of applicable SEBI (Mutual Funds) Regulations, 1996 and various circulars issued thereunder.
34. Reviewing periodic report on compliance with applicable laws and regulations pertaining to the Mutual Fund operation, including the details of non-compliance along with the corrective actions, as applicable.
35. Reviewing the Annual Compliance Report in relation to the "Policy on Prohibition of Insider Trading" of the AMC for Mutual Fund.
36. Assess that the AMC has been managing the mutual fund schemes independently of other activities and have taken adequate steps to ensure that the interest of investors of one scheme are not being compromised with those of any other scheme or of other activities of the asset management company.
37. consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholder; and.

38. Any other matters/authorities/responsibilities/powers assigned as per the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, SEBI (Mutual Funds) Regulations, 1996 and Rules/circulars issued thereunder, as amended from time to time.

## Nomination & Remuneration Committee

During FY 2022-23, three (3) Nomination & Remuneration Committee meetings were held on April 19, 2022; July 21, 2022 and October 18, 2022.

### Composition of Nomination & Remuneration Committee and attendance of members in meetings

| Name of the Director | Number of meetings | |
|---|---|---|
| | Held during tenure | Attended |
| Mr. Jairaj Purandare (Chairman) | 3 | 3 |
| Mr. Dhruv Kaji | 3 | 3 |
| Mr. Deepak Parekh | 3 | 3 |
| Mr. Parag Shah | 3 | 3 |

The Company Secretary acts as the Secretary to the Committee.

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

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

## Remuneration of Directors

### Nomination & Remuneration Policy

The Nomination & Remuneration Policy, including the criteria for remunerating Non-Executive Directors is recommended by the Nomination & Remuneration Committee and approved by the Board. The objective of the policy is to lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non Executive) and persons who may be appointed in Senior Management, Key Managerial positions and to determine their remuneration. The Nomination & Remuneration Policy can be accessed on your Company's website https://www.hdfcfund.com/about-us/corporate-governance/code-policy

### Non-Executive Directors

The remuneration paid to Non-Executive Directors consists of sitting fees and commission. Further, the expenses for participation in the Board and other meetings are reimbursed to the Directors other than directors nominated by abrdn Investment Management Limited (formerly Standard Life Investments Limited) including remuneration. Stock Options may be granted to the Non-Independent Directors as approved by the Committee. No stock options are granted to Independent Directors.

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





Details of the remuneration and shareholding of Directors of the company for the FY 2022-23 are as follows:

| Name of Directors | Salary^ (in ₹) | Perquisites (in ₹) | Sitting fees (in ₹) | *Commission (in ₹) | Total (in ₹) | Shareholding |
|---|---|---|---|---|---|---|
| Mr. Deepak Parekh | - | - | 18,00,000 | 25,00,000 | 43,00,000 | 2,24,000 |
| Mr. Keki Mistry | - | - | 12,00,000 | 25,00,000 | 37,00,000 | 1,68,320 |
| Ms. Renu Sud Karnad | - | - | 13,00,000 | 25,00,000 | 38,00,000 | 1,68,320 |
| Mr. Rushad Abadan | - | - | - | - | | - |
| Mr. Dhruv Kaji | - | - | 19,00,000 | 25,00,000 | 44,00,000 | - |
| Mr. Jairaj Purandare | - | - | 19,00,000 | 25,00,000 | 44,00,000 | - |
| Mr. Sanjay Bhandarkar | - | - | 20,00,000 | 25,00,000 | 45,00,000 | - |
| Mr. Parag Shah | - | - | 11,00,000 | 25,00,000 | 36,00,000 | - |
| Mr. Shashi Kant Sharma[1] | - | - | - | - | - | - |
| Ms. Roshni Nadar Malhotra | - | - | 4,00,000 | 25,00,000 | 29,00,000 | - |
| #Mr. Navneet Munot | 4,44,98,924 | 3,67,110 | - | 3,32,80,000 | 7,81,46,034 | - |

Notes:

[1] ceased to be Independent Director of the company w.e.f. April 11, 2022

*The Commission for the financial year ended March 31, 2023 will be paid to Non-Executive and Independent Directors, subject to deduction of tax, after adoption of financial statements at the ensuing AGM.

^ Salary includes contribution to Provident Fund made by the Company.

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

No directors were granted employee stock options during the FY 2022-23. Further, during the year under review 64,000 options was exercised by Mr. Deepak Parekh.

### Executive Director

The break-up of the pay scale, commission and quantum of perquisites including, employer's contribution to provident fund, gratuity, club fees, etc., is decided and approved by the Board on the recommendation of the Nomination & Remuneration Committee and would be within the overall remuneration approved by the shareholders. Stock Options are granted to the Managing Director & CEO of the Company as approved by the Nomination & Remuneration Committee. The annual increment of the Managing Director & CEO is linked to his performance and is decided and approved by the Board on the recommendation of the Nomination & Remuneration Committee. Terms of the service, the notice period and severance fees are as per the terms of agreement entered into by him with the Company.

### Evaluation of the Board and Directors

During the year, the Board carried out an annual evaluation of its own performance, performance of the board committees and individual directors pursuant to the provisions of the Act and Listing Regulations. The Board on the recommendations of the Nomination & Remuneration Committee approved the criteria for annual evaluation which were broadly based on the Guidance Note on Board Evaluation issued by the Securities and Exchange Board of India on January 5, 2017.

Each board member was required to fill the board evaluation questionnaire online and the questionnaire were divided into different sections viz. Evaluation of Non – Executive / Independent Directors; Evaluation of Board as a whole; Evaluation of Board Committees; Evaluation of Chairman and Evaluation of Executive Director.

Evaluation criteria for Board/Committees were on the parameters like attendance, participation and ability to contribute at the meeting, Board as a whole i.e. its structure, diversity, experience, functioning, Board members' understanding of their roles and responsibilities, quality of decision making of the Board and its effectiveness.

The responses received from the Directors with respect to the Board evaluation questionnaire were reviewed, discussed at separate meetings of Independent Directors, Nomination & Remuneration Committee and also the Board, and the suggestions provided by the directors were noted. Performance of the committees was evaluated on the basis of their effectiveness in carrying out their respective mandates. The Chairman's performance evaluation was carried out by Independent Directors at a separate meeting.

All the directors participated in the board evaluation and review exercise including the peer evaluations excluding the director being evaluated. The directors provided recommendations that NRC to have discussions on the executives performance, remuneration and succession planning to be summarised at the Board Meeting. They also suggested having more continuing professional development sessions for the directors of the Company. The recommendations and suggestions of the Board evaluation were shared with the Management of the AMC for implementing them.

During the year, the Company took adequate steps to implement observations arising from Board evaluation exercise for FY 2022 viz. enhancing the conduct of the meetings, allocation of board time for strategic discussions, reviewing and providing guidance /recommendations, strategies to the Management of the Company for addressing business challenges and risk.

The Board noted the evaluation results and were satisfied with the overall engagement and effectiveness of the Board and its various Committees.

## Stakeholders Relationship Committee

During FY 2022-23, four (4) Stakeholders Relationship Committee meetings were held on April 27, 2022; July 22, 2022; October 19, 2022 and January 24, 2023.

**Composition of the Committee and attendance of the members in meetings**

| Name of the Director | Number of meetings | |
|---|---|---|
| | Held during tenure | Attended |
| Ms. Renu Sud Karnad (Chairperson) | 4 | 4 |
| Mr. Deepak Parekh | 4 | 4 |
| Mr. Dhruv Kaji | 4 | 4 |
| Mr. Jairaj Purandare | 4 | 4 |
| Mr. Sanjay Bhandarkar | 4 | 4 |

The Stakeholders Relationship Committee is responsible broadly to:

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

## Compliance Officer

Pursuant to Listing Regulations, Ms. Sylvia Furtado, Company Secretary of the Company is the Compliance Officer.

There was 1 (one) investor complaint at the beginning of the financial year. During the year under review, the Company received 3 (three) complaints from shareholders/SEBI/ Stock Exchanges/ MCA. There were no complaint pending as on March 31, 2023. The Complaints were redressed to the satisfaction of the shareholders. There were no transfer requests received by the Company during the year.

**Environmental, Social and Governance & Corporate Social Responsibility Committee (Formerly Corporate Social Responsibility Committee)**

During FY 2022-23, two (2) Environmental, Social and Governance & Corporate Social Responsibility Committee ("ESG & CSR Committee") meetings were held on July 21, 2022 and February 15, 2023.

**Composition of the Committee and attendance of the Members in meetings**

| Name of the Director | Number of meetings | |
|---|---|---|
| | Held during tenure | Attended |
| Mr. Deepak Parekh (Chairman) | 2 | 2 |
| Mr. Navneet Munot | 2 | 2 |
| Mr. Parag Shah | 2 | 2 |

The ESG & CSR Committee is responsible for formulating the Corporate Social Responsibility Policy, recommending the amount of expenditure to be incurred on CSR activities, and reviewing and approving projects/programmes to be supported by your Company. The ESG & CSR Committee in addition to the above will also oversee the development and implementation of the Company's Environmental, Social & Governance framework.

For details of CSR activities, refer to the Directors' Report.

## Risk Management Committee

The Company has constituted the Risk Management Committee in line with the Listing Regulations and Risk Management Framework circular issued by SEBI vide its circular no. SEBI/HO/IMD/IMD-1 DOF2/P/CIR/2021/630 dated September 27, 2021. The Committee looks into various areas of risk management as specified in the aforesaid circular and internal controls pertaining to Mutual Fund and the Company.

During the year, four (4) Risk Management Committee meetings were held on April 27, 2022; July 22, 2022; October 19, 2022; and January 24, 2023.

**Composition of the Committee and attendance of the Members in meetings**

| Name of the Director | Number of meetings | |
|---|---|---|
| | Held during tenure | Attended |
| Mr. Deepak S. Parekh (Chairperson) | 4 | 4 |
| Mr. Keki M. Mistry | 4 | 3 |
| Ms. Renu Sud Karnad | 4 | 4 |
| Mr. Sanjay Bhandarkar | 4 | 4 |
| Mr. Shashi Kant Sharma[1] | 0 | - |

[1] Mr. Shashi Kant Sharma ceased to be Independent Director of the company w.e.f. April 11, 2022

The broad terms of reference of the Risk Management Committee includes:

1. Review and approve various mandatory risk management policies and framework both at AMC and scheme level, including but not limited to such as:
    a. Risk Management Policy,
    b. Investment policy,
    c. Credit risk policy,
    d. Liquidity risk policy,
    e. Operational risk management policy (including Incident reporting and escalation matrix),
    f. Outsourcing policy,
    g. Cyber security and information security policy,
    h. Business Continuity and Disaster Recovery Plan,
    i. Such other policies as may be prescribed by SEBI from time to time

Any modifications to the policies approved by the Executive Risk Management Committee ("ERMC") shall be reviewed by the RMC of the AMC.

2. To review the appointment, removal and terms of remuneration of the Chief Risk Officer (if any) including any other officer(s) to be appointed from time to time as mandated by SEBI;
3. Review and approve the risk appetite, risk metric and tolerance limits for AMC and schemes.
4. Periodically review the risk appetite and risk metrics against actual risk of the AMC and scheme.
5. Review breaches to risk appetite and risk matrix / thresholds and approve the action plan for remediation.
6. Define mechanism for risk reporting on a quarterly basis by ERMC to the BRMC of the AMC.
7. Annually review and approve changes to the roles and responsibilities and Delegation of Power ("DoP") as placed by the ERMC.
8. Periodically review material breaches in the code of conduct.
9. Monitor and review the resolution, strategies as recommended by the management and ERMC for the existing and emerging risks identified by them.
10. Review exceptions to key risks, if any, such as:
    - Results of stress testing (investment, credit and liquidity risks)
    - Outliers identified during "Early Warning Signals" review
    - Material alerts generated through the liquidity risks model at scheme level
    - Material deviations, issues and corrective actions as a result of periodic RCSA review
11. Report on outsourced vendor review and risks emanating from them along with the remediation plans.
12. Review and recommend the level and type of insurance cover against first and third party losses arising from errors and omissions.
13. Review evaluation of the loss / near miss incidents and fraud risk reports submitted by the ERMC.
14. Review major findings and corrective actions approved by CEO and CRO on various risks.
15. Formulate and approve a methodology for annual evaluation of the RMF, either through an auditor or by way of self-assessment.
16. Review the findings and action plan on the annual RMF compliance review.
17. Approve Terms of Reference for Executive Risk Management Committee (ERMC).
18. Delegate matters to CEO or the Executive Risk Management Committee, as required.

19. Review any other material deviations or exceptions and matters of concerns identified by the management / ERMC / previous BRMC meeting(s) along with action plans.

20. To implement the Risk Management framework for the Company as and when mandated under the SEBI (Mutual Fund) Regulations, 1996 or any other applicable provisions of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015;

21. To review the Cyber security risk and business continuity plan of the Company;

22. Ensure and comply with such other matters specified by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 read with various amendments and clarifications issued by SEBI from time to time and SEBI Risk Management Circular dated 27th September 2021, as may be amended from time to time."

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

## General Body Meetings

The Company held its last 3 (three) Annual General Meetings as under:

| Nature of Meeting | Date | Time | Venue | Special Resolution passed |
|---|---|---|---|---|
| 23rd Annual General Meeting | June 29, 2022 | 3.00 p.m. (IST) | Through Video Conferencing / Other Audio Visual means | Re-appointment of Mr. Deepak S. Parekh as Non-Executive Director of the Company |
| 22nd Annual General Meeting | July 16, 2021 | 3.00 p.m. (IST) | Through Video Conferencing / Other Audio Visual means | - |
| 21st Annual General Meeting | July 23, 2020 | 2.30 p.m. (IST) | Through Video Conferencing / Other Audio Visual means | Approval for issuance of equity shares under Employees Stock Option Scheme – 2020 to the employees and Directors of the Company |

## Postal Ballot

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

## Means of Communication

**Quarterly/Half-yearly/Annual Results:** The Quarterly Results of your Company are published in the Business Standard, a national English daily with a wide circulation, and the Navshakti (Marathi) newspaper. The results are also available on the website of the Company at www.hdfcfund.com.

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

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

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

**NSE Electronic Application Processing System (NEAPS) and BSE Listing Centre:** The NSE and the BSE have developed web-based applications, NEAPS and BSE Listing Centre for corporates to electronically file compliances such as financial results, shareholding pattern and corporate governance report etc.

**SEBI Complaints Redress System (SCORES):** Shareholders complaints are also processed through a centralised web based complaint redressal system, SCORES. This system enables the Company to have a centralised database of the complaints and upload online action taken reports. Investors can also view the current status of and actions taken on their complaints.

**Web-based Query Redressal System:** Members may utilise the facility extended by the Registrar and Share Transfer Agent for redressal of queries, by visiting https://ris.kfintech.com/clientservices/isc and clicking on 'Post a Query' option for query registration through an identity registration process. Investors can submit their query provided on the above website, that would generate the query registration number. For accessing the status/response to the query submitted, the query registration number can be used at the option 'VIEW REPLY' after 24 hours. Investors can continue to put an additional query, if any, relating to the grievance till they get a satisfactory reply.





## Disclosures

### Related Party Transactions

During the FY 2022-23, the Company has not entered into any materially significant related party transactions that may have potential conflict with the interest of the Company at large. Transactions with related parties are disclosed in notes to financial statements.

Related Party Transactions Policy ensures proper approval and reporting of the concerned transactions between the Company and related parties. The Policy can be accessed at https://www.hdfcfund.com/about-us/corporate-governance/code-policy.

### Non-compliance/Penalties/Strictures Imposed

No penalties or strictures were imposed on the Company by the stock exchanges or SEBI, or any statutory authority on any matter related to the capital markets during the last three years.

It may be noted that the Company receives administrative warnings/deficiency letters in the regular course of its business pertaining to Mutual Funds / Portfolio Management Services pursuant to regulatory inspections conducted by SEBI from time to time. Necessary corrective actions in this regard are taken by the Company.

Further, SEBI issued show cause notices in May and June 2019 to the Company, HDFC Trustee Company Limited (Trustee Company) and certain officials of the Company for alleged violations of SEBI (Mutual Funds) Regulations, 1996 ("MF Regulations") in the matter of four schemes of HDFC Mutual Fund, i.e. Fixed Maturity Plans (FMPs) holding debt instruments of Essel Group Companies. Separate Settlement applications were filed with SEBI under SEBI (Settlement Proceedings) Regulations, 2018 by the Company, Officials of the AMC and the Trustee Company against the enforcement actions/proceedings initiated through the show cause notices issued by SEBI, without admission or denial of guilt. SEBI issued Settlement Order no. SO/EFD2/SD/337/April/2020 dated April 16, 2020 in this regard whereby the enforcement action and enforcement proceedings had been disposed of against the Company, Officials of the Company and Trustee Company.

### Whistle Blower Policy/Vigil Mechanism

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

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

The Policy is available at https://www.hdfcfund.com/about-us/corporate-governance/code-policy.

### Code for Prevention of Insider Trading

AMC Share Dealing Code ("Code") provides a framework which deals with the internal procedures and conduct in dealing with the securities of the Company. The Code has been formulated in compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015.

Pursuant to the above, the Company has put in place adequate and effective system of internal controls to ensure compliance with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 2015.

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

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

M/s. Bhandari & Associates, Practicing Company Secretaries, have certified that your Company has complied with the mandatory requirements as stipulated under the Listing Regulations. The certificate forms part of this Report.

Your Company has also obtained a certificate from M/s. Bhandari & Associates, Practicing Company Secretaries, confirming that none of the Directors on the Board of your Company have been debarred or disqualified from being appointed or continuing as directors of companies by SEBI/ Ministry of Corporate Affairs or any such statutory authority. The said certificate forms part of this Report.

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

### Modified Opinion(s) in Audit Report

Your Company's financial statements have unmodified audit opinions.

### Separate posts of Chairperson and the Managing Director or the Chief Executive Officer

Your Company has appointed separate persons to the post of the Chairperson and the Managing Director.

### Reporting of Internal Auditor

The Internal Auditor reports directly to the Audit Committee.

### Material Subsidiary

In accordance with Regulation 16(1)(c) of the Listing Regulations, your Company has formulated Policy for determining Material Subsidiary which is available at https://www.hdfcfund.com/about-us/corporate-governance/code-policy. Your Company has incorporated its wholly owned subsidiary company namely "HDFC AMC International (IFSC) Limited" effective May 27, 2022. However, presently the said subsidiary is not a material subsidiary.

### Commodity Price Risk or Foreign Exchange Risk and Hedging Activities

As such, your Company is not exposed to any commodity price or material foreign exchange risk and hence the disclosure under Clause 9(n) of Part C of Schedule V of the Listing Regulations, in terms of the format prescribed vide SEBI circular dated November 15, 2018, is not applicable.

### Fees Paid to Statutory Auditor

Details of fees paid to the Statutory Auditor, BSR and Co. LLP, Chartered Accountants and all entities in the network firm/network entity of which the statutory auditor is a part, for all services taken by your Company and its subsidiary, on a consolidated basis, during FY 2022-23 are as under:

(₹ in Crore)

| Particulars | Amount |
|---|---|
| Audit Fees | 0.30 |
| Tax audit fee | 0.04 |
| Taxation Matters | 0.17 |
| Reimbursement of Expenses | 0.01 |
| Limited Review Fees | 0.19 |
| Other Services | 0.09 |
| Total | 0.80 |

**Notes:**

1) The above amount includes amount accrued as payable at the year end.

2) The above details have been compiled based on the list of entities provided by the statutory auditors.

### Sexual Harassment at Workplace

Your Company has zero tolerance for sexual harassment at workplace and is compliant with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (POSH).

During the year, the Internal Complaints Committee received no complaint pertaining to sexual harassment.

### Loans and advances

The Company and its subsidiary have not given any Loan and advance in the nature of loan to firms/companies in which directors are interested.

### Code of Conduct

Your Company has adopted a Code of Conduct for all employees including the members of the Board and Senior Management Personnel. All members of the Board and Senior Management Personnel have affirmed compliance with the said Code of Conduct for FY 2022-23.

The declaration to this effect signed by Mr. Navneet Munot, Managing Director (MD) & CEO of the Company forms part of this Report.

### MD/CFO Certification

Necessary certification has been issued by Mr. Navneet Munot, MD & CEO and Mr. Naozad Sirwalla, CFO to the Board in terms of Schedule II Part B of the Listing Regulations. A copy of this certificate forms part of this Report.

### Demat Suspense Account/Unclaimed Suspense Account

The Company does not have any equity shares lying in Demat suspense account/unclaimed suspense account.





# General Shareholder Information

**24th Annual General Meeting**

| | | |
|---|---|---|
| Day/Date | : | Monday, June 26, 2023 |
| Time | : | 03:00 p.m. (IST) |
| Venue | : | Annual General Meeting through Video Conferencing/ Other Audio Visual Means (VC/OAVM facility) [Deemed Venue for Meeting: Registered Office: "HDFC House", 2nd Floor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai-400 020] |
| Financial Year | : | April 1, 2022 to March 31, 2023 |

## Dividend

### Dividend Distribution Policy:

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

### Dividend Payment Date:

The Board of Directors at its meeting held on April 25, 2023 has recommended dividend of ₹ 48/- [Rupees Forty - Eight only] per equity share of ₹ 5/- each for the financial year 2022-23, subject to approval by shareholders. The dividend payment date shall be June 27, 2023 onwards.

### Unclaimed Dividend

The details of the last date for claiming the unclaimed dividends from the Company, prior to transfer to IEPF are as under:

| Financial Year | Date of payment | Last date to claim from the Company prior to transfer to IEPF |
|---|---|---|
| Interim dividend 2018-19 | March 12, 2019 | March 29, 2026 |
| Final dividend 2018-19 | July 17, 2019 | August 18, 2026 |
| Dividend 2019-20 | July 24, 2020 | August 26, 2027 |
| Dividend 2020-21 | July 17, 2021 | August 18, 2028 |
| Dividend 2021-22 | June 30, 2022 | July 31, 2029 |

### E-voting Period

Starts: Thursday, June 22, 2023 at 10.00 a.m. (IST)

Ends: Sunday, June 25, 2023 at 05.00 p.m. (IST)

Cut-off date for e-voting: Monday, June 19, 2023. Shareholders holding shares as on cut-off date shall be eligible to vote either through remote e-voting or during the AGM.

## Listing Details

| Name of Stock Exchange | Stock Code |
|---|---|
| **BSE Limited (BSE)**<br>Phiroze Jeejeebhoy Towers,<br>Dalal Street,<br>Mumbai 400 001. | 541729 |
| **National Stock Exchange of India Limited (NSE)**<br>Exchange Plaza, Plot No. C-1, Block G,<br>Bandra Kurla Complex,<br>Bandra (E), Mumbai 400 051. | HDFCAMC |

## ISIN for Depositories – INE127D01025

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

## Share Price data

The monthly high and low prices and volume of the shares traded on BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE) for the financial year ended March 31, 2023 are as under:

| Months | BSE Limited | | | National Stock Exchange of India Limited | | |
|---|---|---|---|---|---|---|
| | High | Low | No of Shares Traded | High | Low | No of Shares Traded |
| April 2022 | 2,479.25 | 1,990 | 4,98,681 | 2,480 | 1,985 | 82,22,712 |
| May 2022 | 2,055.7 | 1,690.65 | 6,26,554 | 2,056.95 | 1,690 | 1,62,83,958 |
| June 2022 | 1,916.15 | 1,713.6 | 5,76,388 | 1,918 | 1,713.10 | 1,21,68,314 |
| July 2022 | 1,984.85 | 1,779.75 | 2,45,809 | 1,985 | 1,779.70 | 70,86,767 |
| August 2022 | 2,212 | 1,935.5 | 1,25,53,407 | 2,218.85 | 1,935.50 | 1,38,12,671 |
| September 2022 | 2,068 | 1,821.25 | 3,83,690 | 2,069.45 | 1,821 | 55,40,488 |
| October 2022 | 2,109.1 | 1,834 | 1,84,806 | 2,109.55 | 1,830 | 48,03,594 |
| November 2022 | 2,189.75 | 2,030 | 2,10,577 | 2,190 | 2,030.25 | 43,41,917 |
| December 2022 | 2,314 | 2,056.05 | 4,25,138 | 2,314.65 | 2,061.75 | 71,30,824 |
| January 2023 | 2,236.45 | 1,861.3 | 10,31,385 | 2,235 | 1,861 | 53,57,921 |
| February 2023 | 1,950.75 | 1,764.1 | 2,45,807 | 1,951.75 | 1,763.15 | 64,60,067 |
| March 2023 | 1,824.7 | 1,595.25 | 7,19,063 | 1,825 | 1,589.50 | 1,82,57,048 |

Source: BSE and NSE Website

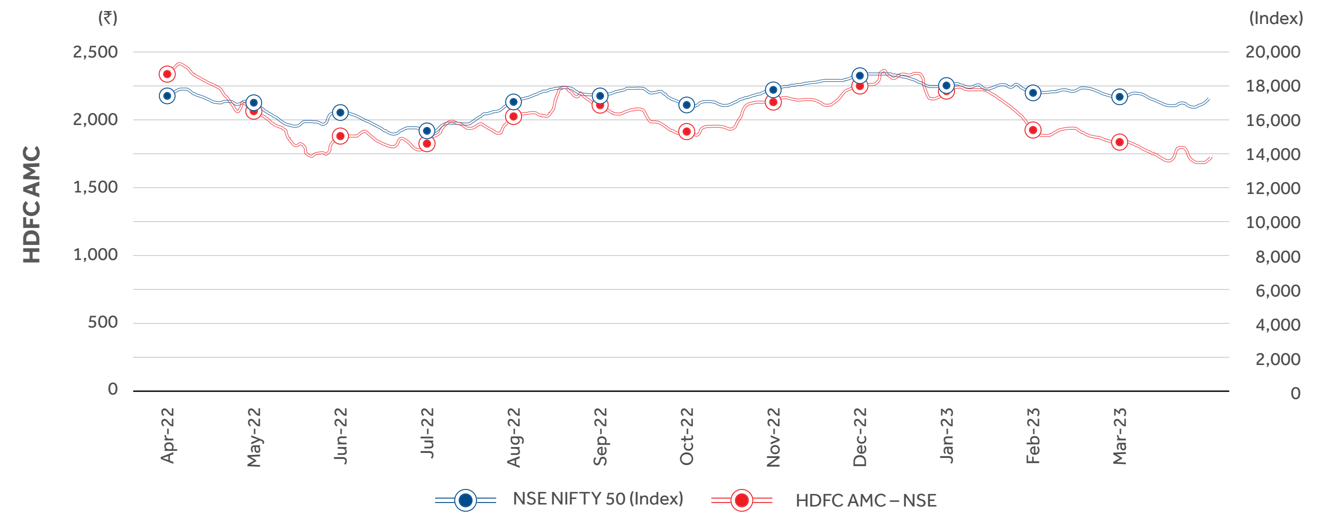




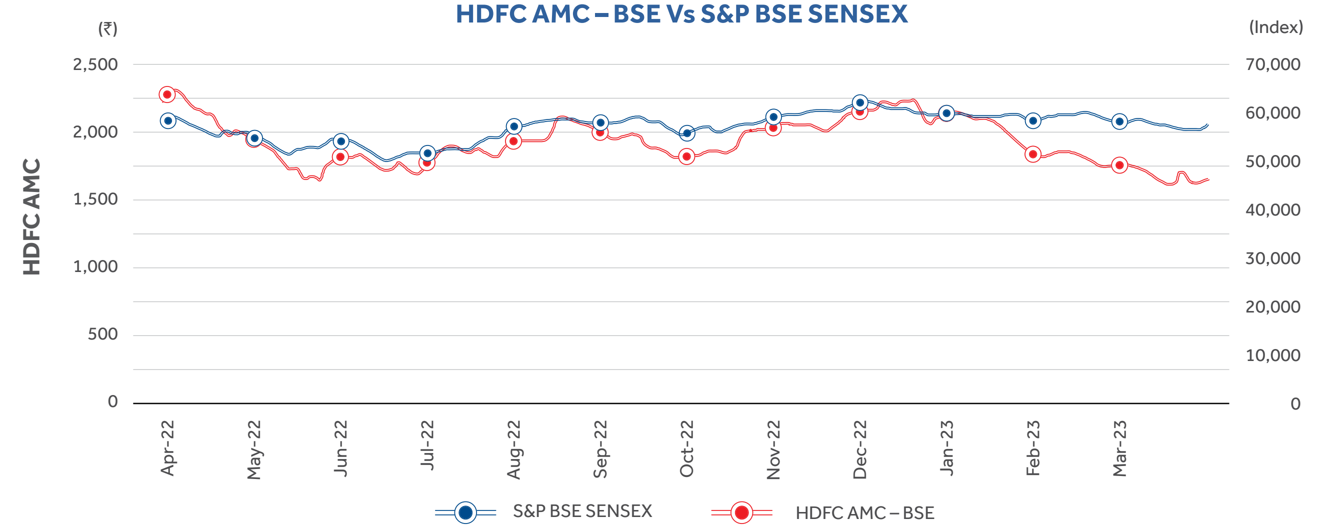
## Stock Performance in comparison to broad-based indices

The charts below show the comparison of the Company's share price movement on NSE and BSE vis-à-vis the movement of the NSE Nifty 50 and S&P BSE Sensex indices respectively, for the financial year ended March 31, 2023:

### HDFC AMC – NSE Vs NSE NIFTY 50




### HDFC AMC – BSE Vs S&P BSE SENSEX




Sources: BSE and NSE Website

The Equity Shares of the Company were not suspended from trading as on March 31, 2023.

**Registrar and Transfer Agent (RTA):**
**KFin Technologies Limited**
**(Formerly known as KFin Technologies Private Limited)**

Selenium Tower B, Plot 31-32,
Financial District, Nanakramguda,
Serilingampally Mandal,
Hyderabad – 500 032, Telangana.
Website: https://www.kfintech.com and / or
https://ris.kfintech.com/
E-mail: einward.ris@kfintech.com
Toll Free no.: 1800-309-4001

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

Members are requested to note that, as an ongoing endeavour to enhance Investor experience and leverage new technology, our registrar and transfer agents, KFIN Technologies Limited have been continuously developing new applications. Here is a list of applications that has been developed for our shareholders.

Shareholders Support Centre: A webpage accessible via any browser enabled system. Shareholders can use a host of services like Post a Query, Raise a service request, Track the status of their DEMAT and REMAT request, Dividend status, Interest and Redemption status, Upload exemption forms (TDS), Download all ISR and other related forms.

URL: https://ris.kfintech.com/clientservices/isc/default.aspx

eSign Facility: Common and simplified norms for processing shareholders' service requests by RTAs and norms for furnishing PAN, KYC details and Nomination requires that eSign option be provided to shareholders for raising service requests. KFIN is the only RTA which has enabled the option and can be accessed via the link below.

https://ris.kfintech.com/clientservices/isr/isr1aspx?mode=f3Y5zP9DDNI%3d

KYC Status : Shareholders can access the KYC status of their folio. The webpage has been created to ensure that shareholders have the requisite information regarding their folios.

URL: https://ris.kfintech.com/clientservices/isc/kycqry.aspx

KPRISM: A mobile application as well as a webpage which allows users to access Folio details, Interest and Dividend status, FAQs, ISR Forms and full suite of other investor services.

URL: https://kprism.kfintech.com/signin.aspx.

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

## Share Transfer System

The Company's share transfer and related operations is operated through its Registrar and Share Transfer Agent (RTA) – KFin Technologies Limited.

Shareholders may please note that SEBI vide its Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/8 dated January 25, 2022 has mandated the Listed Companies to issue securities in demat form only while processing service requests viz. Issue of duplicate securities certificate, claim from Unclaimed Suspense Account; Renewal/ Exchange of securities certificate; Endorsement; Sub-division/ Splitting of securities certificate; Consolidation of securities certificates/folios; Transmission and Transposition. Accordingly, the shareholders are requested to make service requests by submitting a duly filled and signed Form ISR – 4, the format of which is available on the Company's website under the link at https://www.hdfcfund.com/information/forms-physical-shareholders.

Shareholders holding equity shares of the Company in physical form are requested to kindly get their equity shares converted into demat/ electronic form to get inherent benefits of dematerialisation and also considering that physical transfer of equity shares/ issuance of equity shares in physical form have been disallowed by SEBI.

## Common and Simplified Norms for updation of PAN and Know Your Customer (KYC) details

SEBI had vide circular dated March 16, 2023 introduced Common and Simplified Norms for furnishing PAN, KYC details and Nomination by the Shareholders in supersession of circulars dated November 3, 2021 and December 14, 2021 according to which, all shareholders holding shares in physical form are mandatorily required to furnish PAN (compulsorily linked with Aadhaar), nomination, contact details, bank account details and specimen signature to RTA. Further, it is mandated that the RTA shall not process any service request or complaint of shareholders till PAN, KYC and nomination document/details are received. In case any one of aforesaid documents are not available on or after October 1, 2023, the folios shall be frozen by the RTA.

Presently, the Company has only 1 (one) shareholder holding 2 (two) shares in physical form and whose KYC details are updated in the records of Registrar and Share Transfer Agent of the Company.





## Category wise Shareholding pattern as on March 31, 2023

| Category of Shareholders | Number of Shares | % of Total Shares |
|---|---|---|
| Promoter | 13,39,58,135 | 62.77 |
| Individuals (includes HUFs) | 2,29,12,605 | 10.74 |
| FIIs/ QFIs/ FPIs | 1,60,11,328 | 7.50 |
| Mutual Funds | 1,54,37,841 | 7.23 |
| Bodies corporate | 12,84,790 | 0.60 |
| NRIs/foreign nationals | 10,26,423 | 0.48 |
| Directors & their Relatives | 5,62,700 | 0.26 |
| Clearing members | 33,865 | 0.02 |
| Alternative Investment Funds | 32,074 | 0.02 |
| Qualified Institutional Buyer | 2,21,53,060 | 10.38 |
| NBFC | 1,379 | 0.00 |
| Trusts | 10,516 | 0.00 |
| **Total** | **21,34,24,716** | **100** |

## Distribution of Shareholding as on March 31, 2023

| Sr. No | Category (Shares) | No. of Holders | % To Holders | No. of Shares | % To Equity |
|---|---|---|---|---|---|
| 1 | 1-5000 | 5,54,123 | 99.92 | 1,93,39,502 | 9.06 |
| 2 | 5001- 10000 | 175 | 0.03 | 12,47,632 | 0.58 |
| 3 | 10001- 20000 | 105 | 0.02 | 15,07,300 | 0.71 |
| 4 | 20001- 30000 | 36 | 0.01 | 8,85,711 | 0.41 |
| 5 | 30001- 40000 | 16 | 0.00 | 5,77,725 | 0.27 |
| 6 | 40001- 50000 | 14 | 0.00 | 6,27,681 | 0.29 |
| 7 | 50001- 100000 | 39 | 0.01 | 26,75,739 | 1.25 |
| 8 | 100001& Above | 61 | 0.01 | 18,65,63,426 | 87.41 |
| | **TOTAL:** | **5,54,569** | **100.00** | **21,34,24,716** | **100.00** |

## Dematerialisation of Shares and Liquidity as on March 31, 2023

| Particulars of Equity Holding | Equity Shares of ₹ 5/- each | |
|---|---|---|
| | Number | % of Total |
| Dematerialised form | | |
| NSDL | 20,42,26,957 | 95.69 |
| CDSL | 91,97,757 | 4.31 |
| **Sub – total** | **21,34,24,714** | **100** |
| Physical form | 2 | 0 |
| **Total** | **21,34,24,716** | **100** |

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

There are no outstanding GDRs / ADRs / Warrants or any convertible instruments as on March 31, 2023.

## Plant Locations –

The Company is engaged in the business of financial services and has no such plants, however we serve our customers and distribution partners in over 200 cities through our network of 228 Investor Service Centres (ISCs).

### Address for Correspondence with the Company

**HDFC Asset Management Company Limited**

CIN: L65991MH1999PLC123027
Registered Address: "HDFC House", 2nd Floor,
H. T. Parekh Marg, 165-166, Backbay Reclamation,
Churchgate, Mumbai – 400020.
Tel.: 022 – 66316333 Fax: 022 – 66580203
Website: www.hdfcfund.com
E-mail: shareholders.relations@hdfcfund.com

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

## Declaration by the Managing Director & Chief Executive Officer

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

To the Members of

**HDFC Asset Management Company Limited**

I, Navneet Munot, Managing Director & Chief Executive Officer of HDFC Asset Management Company Limited, hereby confirm that all the members of the Board of Directors and Senior Management have affirmed compliance with the Code of Conduct of the Board of Directors and Senior Management of the Company.

Navneet Munot
**Managing Director & Chief Executive Officer**

Place: Mumbai
Date: April 25, 2023





## MD / CFO Certificate

The Board of Directors
**HDFC Asset Management Company Limited**
HDFC House, H. T. Parekh Marg,
165-166 Backbay Reclamation,
Churchgate, Mumbai 400020.

Sub: Regulation 17(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015

Dear Sir(s)/ Madam(s),

This is to confirm and certify that –

1. We have reviewed financial statements including consolidated financial statements and the cash flow statements for the year ended March 31, 2023 and that:
    i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
    ii. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. To the best of our knowledge and belief, there are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps taken or propose to take to rectify these deficiencies.
4. We have indicated to the auditors and the Audit committee
    i. Significant changes in internal control over financial reporting during the year;
    ii. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
    iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Naozad Sirwalla
**Chief Financial Officer**

Navneet Munot
**Managing Director & Chief Executive Officer**

Place: Mumbai
Date: April 25, 2023

### Practicing Company Secretaries' Certificate on Corporate Governance

## Bhandari & Associates

**Company Secretaries**
901, Kamla Executive Park, Off. Andheri Kurla Road,
J. B. Nagar, Andheri East. Mumbai- 400 059
Tel: +91 22 4221 5300 Fax: +91 22 4221 5303
Email: bhandariandassociates@gmail.com /mumbai@anilashok.com

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

We have examined the compliance of conditions of Corporate Governance by HDFC Asset Management Company Limited ("the Company") for the financial year ended March 31, 2023 as stipulated in chapter IV of The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["Listing Regulations"].

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

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

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **Bhandari & Associates**
**Company Secretaries**
**Firm Registration No: P1981MH043700**

**S. N. Bhandari**
Partner
FCS No: 761; C P No.: 366

Mumbai: April 25, 2023
UDIN: F000761E000183295

## Bhandari & Associates

**Company Secretaries**
901, Kamla Executive Park, Off. Andheri Kurla Road,
J. B. Nagar, Andheri East. Mumbai- 400 059
Tel: +91 22 4221 5300 Fax: +91 22 4221 5303
Email: bhandariandassociates@gmail.com /mumbai@anilashok.com

## Certificate of Non-Disqualification of Directors

(Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members of
**HDFC Asset Management Company Limited.**
"HDFC House", 2nd Floor,
H.T Parekh Marg,
165-166, Backbay Reclamation,
Churchgate
Mumbai – 400020

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **HDFC Asset Management Company Limited**, having CIN L65991MH1999PLC123027 and having registered office at "HDFC House", 2nd Floor, H.T Parekh Marg, 165-166, Backbay Reclamation, Churchgate. Mumbai – 400020 (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C sub clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the MCA portal at www.mca.gov.in as considered necessary and explanations furnished to us by the Company & its officers.

We hereby certify that none of the Directors on the Board of the Company as stated below for the financial year ended on March 31, 2023 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

| Sr. No. | Name of Director | DIN | Date of appointment |
|---|---|---|---|
| 1. | Mr. Deepak S. Parekh | 00009078 | 04/07/2000 |
| 2. | Mr. Keki M. Mistry | 00008886 | 24/12/2007 |
| 3. | Ms. Renu Sud Karnad | 00008064 | 04/07/2000 |
| 4. | Ms. Roshni Nadar Malhotra | 02346621 | 27/04/2019 |
| 5. | Mr. Jairaj Purandare | 00159886 | 31/10/2018 |
| 6. | Mr. Dhruv Subodh Kaji | 00192559 | 31/10/2018 |
| 7. | Mr. Parag Shah | 00374944 | 22/01/2019 |
| 8. | Mr. Sanjay Bhandarkar | 01260274 | 31/10/2018 |
| 9. | Mr. Rushad Abadan | 08035538 | 21/01/2021 |
| 10. | Mr. Navneet Munot | 05247228 | 16/02/2021 |

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Bhandari & Associates**
Company Secretaries
Firm Registration No: P1981MH043700

**S. N. Bhandari**
Partner
FCS No: 761; C P No.: 366

Mumbai: April 25, 2023
UDIN: F000761E000183341

# Independent Auditor's Report

**To the Members of HDFC Asset Management Company Limited**

### Report on the Audit of the Standalone Financial Statements

## Opinion

We have audited the standalone financial statements of HDFC Asset Management Company Limited (the "Company") which comprise the standalone balance sheet as at March 31, 2023, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2023, and its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

## Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the standalone financial statements.

## Key Audit Matter

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

**Revenue Recognition: Investment Management Fee**

**See Note 3.5 and 19 to standalone financial statements**

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| Investment Management Fee is the most significant account balance in the Statement of Profit and Loss. Investment management fees from the Mutual fund consists of fees from various schemes which invest in different categories of securities like Equity, Debt etc.<br><br>We have identified revenue from investment management fees as a key audit matter since:<br>• The calculation of investment management fees is a percentage of the assets under management ('AUM') managed by the Company. There is a process of manual inputting of approved fee rate used for computation of Investment Management Fee income. AUM calculation is automatically done in the system.<br>• Multiple schemes of HDFC Mutual Fund require effective monitoring over key financial terms and conditions being captured and applied accurately. Any discrepancy in such computations could result in misstatement of investment management fee recognised in the financial statements. | In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence:<br><br>**Testing of Design and Operating Effectiveness of controls:**<br>• Understood and evaluated the design and implementation of authorisation controls and other key controls relating to recognition of investment management fee;<br>• Test checked the operating effectiveness of authorisation controls, and other key controls over recognition of investment management fee.<br><br>**Substantive tests:**<br>• Evaluated the appropriateness of revenue recognition in respect of investment management fee income based on the requirements of Ind AS 115;<br>• Obtained and tested arithmetical accuracy of investment management fee calculations and reconciled investment management fee to amounts included in financial statements for completeness of income recognition;<br>• Test checked that investment management fee rates were approved by authorised personnel;<br>• Obtained and read the investment management fee certification reports, issued by the statutory auditors of mutual fund schemes, in accordance with generally accepted assurance standards for such work and reconciled the certified amounts with the accounting records;<br>• Test checked the investment management fee invoices and reconciled with the accounting records;<br>• Test checked the receipts of money of Investment Management fee income in the bank statements;<br>• Evaluated the adequacy of disclosures relating to the investment management fee earned by the Company. |





## Other Information

The Company's Management and Board of Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

## Management's and Board of Directors' Responsibilities for the Standalone Financial Statements

The Company's Management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the Management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

## Auditor's Responsibilities for the Audit of the Standalone Financial Statements

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

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. (A) As required by Section 143(3) of the Act, we report that:

    a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

    b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

    c) The standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account.

    d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act.

    e) On the basis of the written representations received from the directors as on March 31, 2023 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023 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 with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

   (B) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

    a) The Company has disclosed the impact of pending litigations as at March 31, 2023 on its financial position in its standalone financial statements – Refer Note 30(a) to the standalone financial statements.

    b) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

    c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

    d) (i) The management has represented that, to the best of their knowledge and belief, as disclosed in the Note 37(vi) to the standalone financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

       (ii) The management has represented that, to the best of their knowledge and belief, as disclosed in the Note 37(vi) to the standalone financial statements, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Parties ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

       (iii) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (i) and (ii) above, contain any material misstatement.

    e) The final dividend paid by the Company during the year, in respect of the same declared for the previous year, is in accordance with Section 123 of the Act to the extent it applies to payment of dividend.

       As stated in Note 33 to the standalone financial statements, the Board of Directors of the Company have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The dividend declared is in accordance with Section 123 of the Act to the extent it applies to declaration of dividend.

    f) As proviso to rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Company only with effect from April 01, 2023, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 is not applicable.

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

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

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

**Kapil Goenka**
Partner
Membership No. 118189
ICAI UDIN: 23118189BGURDY7662

Place: Mumbai
Date: April 25, 2023

# Annexure A to the Independent Auditor's Report

on the Standalone Financial Statements of HDFC Asset Management Company Limited for the year ended March 31, 2023

**(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

(i) (a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.

(B) The Company has maintained proper records showing full particulars of intangible assets.

(i) (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has a regular programme of physical verification of its Property, Plant and Equipment by which all property, plant and equipment are verified every year. In accordance with this programme, certain property, plant and equipment were verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties (other than immovable properties where the Company is the lessee and the leases agreements are duly executed in favour of the lessee) disclosed in the standalone financial statements are held in the name of the Company.

(d) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets or both during the year.

(e) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there are no proceedings initiated or pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder.

(ii) (a) The Company is a service company, primarily rendering asset management services. Accordingly, it does not hold any physical inventories. Accordingly, clause 3(ii)(a) of the Order is not applicable.

(b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not been sanctioned any working capital limits from banks and financial institutions on the basis of security of current assets at any point of time of the year. Accordingly, clause 3(ii)(b) of the Order is not applicable to the Company.

(iii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured to companies, firms, limited liability partnership or any other parties during the year. The Company has made investments in companies, in respect of which the requisite information is as below. The Company has not made any investments in firms, limited liability partnership or any other parties.

(a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not provided loans or provided advances in the nature of loans, or stood guarantee, or provided security to any other entity. Accordingly, provisions of clauses 3(iii)(a)(c)(d)(e) and (f) of the Order are not applicable to the Company.

(b) According to the information and explanations given to us and based on the audit procedures conducted by us, in our opinion the investments made during the year and the terms and conditions thereof are, *prima facie*, not prejudicial to the interest of the Company.

(iv) According to the information and explanations given to us and on the basis of our examination of records of the Company, the Company has neither made any investments nor has it given loans or provided guarantee or security and therefore the relevant provisions of Sections 185 and 186 of the Companies Act, 2013 ("the Act") are not applicable to the Company. Accordingly, clause 3(iv) of the Order is not applicable.

(v) The Company has not accepted any deposits or amounts which are deemed to be deposits from the public. Accordingly, clause 3(v) of the Order is not applicable.

(vi) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act for the services provided by it. Accordingly, clause 3(vi) of the Order is not applicable.

(vii) (a) The Company does not have liability in respect of Service tax, Duty of excise, Sales tax and Value added tax during the year since effective July 01, 2017, these statutory dues has been subsumed into GST.

According to the information and explanations given to us and on the basis of our examination of the records of the Company, in our opinion amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Goods and Service Tax, Provident Fund, Income-Tax or Cess or other statutory dues have been regularly deposited by the Company with the appropriate authorities.

According to the information and explanations given to us and on the basis of our examination of the records of the Company, no undisputed amounts payable in respect of Goods and Service Tax, Provident Fund, Income-Tax or Cess or other statutory dues were in arrears as at March 31, 2023 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, statutory dues relating to Goods and Service Tax, Provident Fund, Income-Tax, Duty of Customs or Cess or other statutory dues which have not been deposited on account of any dispute are as follows:

| Name of the statute | Nature of the dues | Amount (₹) | Period to which the amount relates | Forum where dispute is pending |
|---|---|---:|---|---|
| Income Tax Act, 1961 | Income Tax | 2,705,330 | AY 2008-09 | High Court of Bombay |
| Income Tax Act, 1961 | Income Tax | 869,200 | AY 2009-10 | Commissioner of Income Tax Appeal |
| Income Tax Act, 1961 | Income Tax | 741,820 | AY 2010-11 | Deputy Commissioner of Income Tax |
| Income Tax Act, 1961 | Income Tax | 15,169,450 | AY 2012-13 | Commissioner of Income Tax Appeal |
| Income Tax Act, 1961 | Income Tax | 17,138,730 | AY 2013-14 | Commissioner of Income Tax Appeal |
| Income Tax Act, 1961 | Income Tax | 2,518,810 | AY 2014-15 | Commissioner of Income Tax Appeal |
| Income Tax Act, 1961 | Income Tax | 1,267,740 | AY 2016-17 | Commissioner of Income Tax Appeal |
| Income Tax Act, 1961 | Income Tax | 11,037,950 | AY 2017-18 | Commissioner of Income Tax Appeal |
| Income Tax Act, 1961 | Income Tax | 23,980,151 | AY 2018-19 | Commissioner of Income Tax Appeal |

(viii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not surrendered or disclosed any transactions, previously unrecorded as income in the books of account, in the tax assessments under the Income Tax Act, 1961 as income during the year.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company did not have any loans or borrowings from any lender during the year. Accordingly, clause 3(ix)(a) of the Order is not applicable to the Company.

(b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not been declared a wilful defaulter by any bank or financial institution or government or government authority.

(c) According to the information and explanations given to us by the management, the Company has not obtained any term loans during the year. Accordingly, clause 3(ix)(c) of the Order is not applicable.

(d) According to the information and explanations given to us by the management and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term purposes by the Company.

(e) According to the information and explanations given to us and on an overall examination of the standalone financial statements of the Company, we report that the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures as defined under the Act.

(f) According to the information and explanations given to us and procedures performed by us, we report that the Company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies (as defined under the Act).

(x) (a) The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments). Accordingly, clause 3(x)(a) of the Order is not applicable.

(b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, clause 3(x)(b) of the Order is not applicable.

(xi) (a) Based on examination of the books and records of the Company and according to the information and explanations given to us, no fraud by the Company or on the Company has been noticed or reported during the course of the audit.

(b) According to the information and explanations given to us, no report under sub-section (12) of Section 143 of the Act has been filed by the auditors in Form ADT-4 as prescribed under Rule 13 of the Companies (Audit and Auditors) Rules, 2014 with the Central Government.

(c) As represented to us by the management, there are no whistle-blower complaints received by the Company during the year.

(xii) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, clause 3(xii) of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us, the transactions with related parties are in compliance with Sections 177 and 188 of the Act, where applicable, and the details of the related party transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.

(xiv) (a) Based on information and explanations provided to us and our audit procedures, in our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(b) We have considered the internal audit reports of the Company issued till date for the period under audit.

(xv) In our opinion and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with its directors or persons connected to its directors and hence, provisions of Section 192 of the Act are not applicable to the Company.

(xvi) (a) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, clause 3(xvi)(a) and 3(xvi)(b) of the Order is not applicable.

(b) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, clause 3(xvi)(b) of the Order is not applicable.

(c) The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, clause 3(xvi)(c) of the Order is not applicable.

(d) According to the information and explanations provided to us, the Group (as per the provisions of the Core Investment Companies (Reserve Bank) Directions, 2016) does not have any CIC.

(xvii) The Company has not incurred cash losses in the current and in the immediately preceding financial year.

(xviii) There has been no resignation of the statutory auditors during the year. Accordingly, clause 3(xviii) of the Order is not applicable.

(xix) According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the standalone financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that the Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due. Also refer to the Other Information paragraph of our main audit report which explains that the other information comprising the information included in annual report is expected to be made available to us after the date of this auditor's report.

(xx) In our opinion and according to the information and explanations given to us, there is no unspent amount under sub-section (5) of Section 135 of the Act pursuant to any project. Accordingly, clauses 3(xx)(a) and 3(xx)(b) of the Order are not applicable.

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

**Kapil Goenka**
Partner

Place: Mumbai
Membership No. 118189
Date: April 25, 2023
ICAI UDIN: 23118189BGURDY7662

# Annexure B to the Independent Auditor's Report

on the standalone financial statements of HDFC Asset Management Company Limited for the year ended March 31, 2023

**Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of sub-section 3 of Section 143 of the Act**

**(Referred to in paragraph 2(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

## Opinion

We have audited the internal financial controls with reference to financial statements of HDFC Asset Management Company Limited ("the Company") as of March 31, 2023 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at March 31, 2023, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

## Management's and Board of Directors' Responsibilities for Internal Financial Controls

The Company's Management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

## Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, 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 judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

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

## Meaning of Internal Financial Controls with Reference to Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include 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 standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the standalone financial statements.

## Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

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

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

**Kapil Goenka**
Partner
Membership No. 118189
ICAI UDIN: 23118189BGURDY7662

Place: Mumbai
Date: April 25, 2023

# Standalone Balance Sheet

as at March 31, 2023

₹ (in Crore)

| Particulars | | Note No. | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|---|---|
| **Assets** | | | | |
| **I** | **Financial Assets** | | | |
| a | Cash and Cash Equivalents | 4 | **3.12** | 1.87 |
| b | Bank Balance other than (a) above | 5 | **0.89** | 6.20 |
| c | Receivables | | | |
| | (i) Trade Receivables | 6 | **183.74** | 74.53 |
| | (ii) Other Receivables | 7 | **12.59** | 5.99 |
| d | Investments | 8 | **6,079.16** | 5,570.23 |
| e | Other Financial Assets | 9 | **31.18** | 25.20 |
| | **Sub-total - Financial Assets** | | **6,310.68** | **5,684.02** |
| **II** | **Non-Financial Assets** | | | |
| a | Current Tax Assets (net) | | **30.46** | 30.63 |
| b | Property, Plant and Equipment | 10 | **137.59** | 122.18 |
| c | Intangible Assets Under Development | 10 | **2.14** | 0.46 |
| d | Goodwill | 10 | **6.04** | 6.04 |
| e | Other Intangible Assets | 10 | **6.84** | 6.88 |
| f | Other Non-Financial Assets | 11 | **42.78** | 30.16 |
| | **Sub-total - Non-Financial Assets** | | **225.85** | **196.35** |
| | **Total Assets** | | **6,536.53** | **5,880.37** |
| **Liabilities and Equity** | | | | |
| **Liabilities** | | | | |
| **I** | **Financial Liabilities** | | | |
| **A** | **Payables** | | | |
| | Trade Payables | | | |
| | (i) Total Outstanding Dues of Micro Enterprises and Small Enterprises | 12 | **-** | - |
| | (ii) Total Outstanding Dues of Creditors Other than Micro Enterprises and Small Enterprises | 12 | **35.60** | 29.24 |
| **B** | **Other Financial Liabilities** | 13 | **206.26** | 189.64 |
| | **Sub-total - Financial Liabilities** | | **241.86** | **218.88** |
| **II** | **Non-Financial Liabilities** | | | |
| a | Current Tax Liabilities (net) | | **18.39** | 7.37 |
| b | Provisions | 14 | **12.57** | 11.79 |
| c | Deferred Tax Liabilities (net) | 15 | **100.77** | 75.34 |
| d | Other Non-Financial Liabilities | 16 | **54.53** | 36.95 |
| | **Sub-total - Non-Financial Liabilities** | | **186.26** | **131.45** |
| | **Total Liabilities** | | **428.12** | **350.33** |
| **III** | **Equity** | | | |
| a | Equity Share Capital | 17 | **106.71** | 106.64 |
| b | Other Equity | 18 | **6,001.70** | 5,423.40 |
| | **Sub-total - Equity** | | **6,108.41** | **5,530.04** |
| | **Total Liabilities and Equity** | | **6,536.53** | **5,880.37** |

See summary of significant accounting policies and accompanying notes which form an integral part of the standalone financial statements

As per our report attached of even date

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

**Kapil Goenka**
Partner
Membership No. 118189

Mumbai, April 25, 2023

For and on behalf of the Board of Directors

**Deepak S Parekh**
Chairman
(DIN: 00009078)

**Navneet Munot**
Managing Director & Chief Executive Officer
(DIN: 05247228)

**Naozad Sirwalla**
Chief Financial Officer

**Sylvia Furtado**
Company Secretary
(ACS: 17976)





# Standalone Statement of Profit and Loss

for the year ended March 31, 2023

₹ (in Crore except per equity share data)

| Particulars | Note No. | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|---|
| **Revenue from Operations** | | | |
| Asset Management Services | 19 | **2,166.81** | 2,115.36 |
| **Other Income** | 20 | **315.76** | 317.84 |
| **Total Income** | | **2,482.57** | **2,433.20** |
| **Expenses** | | | |
| Finance Costs | 28 | **9.69** | 8.64 |
| Fees and Commission Expenses | | **3.68** | 5.41 |
| Employee Benefits Expenses | 21 | **312.67** | 312.20 |
| Depreciation, Amortisation and Impairment | 10 | **53.34** | 53.85 |
| Other Expenses | 22 | **232.58** | 197.81 |
| **Total Expenses** | | **611.96** | **577.91** |
| **Profit Before Tax** | | **1,870.61** | 1,855.29 |
| **Tax Expense** | | | |
| Current Tax | 25 | **421.26** | 418.96 |
| Deferred Tax Charge/(Credit) | 25 | **25.43** | 43.20 |
| **Total Tax Expense** | | **446.69** | **462.16** |
| **Profit after Tax** | | **1,423.92** | **1,393.13** |
| **Other Comprehensive Income** | | | |
| (i) Items that will not be reclassified to profit or loss | | | |
| - Remeasurement gain/(loss) of the defined benefit plans | | **0.56** | 0.66 |
| (ii) Income tax relating to items that will not be reclassified to profit or loss | | | |
| - Tax on Remeasurement of the defined benefit plans | | **(0.14)** | (0.17) |
| **Total Other Comprehensive Income** | | **0.42** | **0.49** |
| **Total Comprehensive Income** | | **1,424.34** | **1,393.62** |
| **Earnings Per Equity Share (Face Value ₹5) (see note 27)** | | | |
| - Basic | | **66.75** | 65.36 |
| - Diluted | | **66.73** | 65.31 |

See summary of significant accounting policies and accompanying notes which form an integral part of the standalone financial statements

As per our report attached of even date

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

**Kapil Goenka**
Partner
Membership No. 118189

Mumbai, April 25, 2023

For and on behalf of the Board of Directors

**Deepak S Parekh**
Chairman
(DIN: 00009078)

**Navneet Munot**
Managing Director & Chief Executive Officer
(DIN: 05247228)

**Naozad Sirwalla**
Chief Financial Officer

**Sylvia Furtado**
Company Secretary
(ACS: 17976)

# Standalone Statement of Changes in Equity

for the year ended March 31, 2023

## A. Equity Share Capital

₹ (in Crore)

| Particulars | Balance at the beginning of the year | Changes in equity share capital during the year | Balance at the end of the year |
|---|---|---|---|
| **Equity Shares of ₹5 each (March 31, 2022: ₹5 each), fully paid up** | | | |
| As at March 31, 2022 | 106.48 | 0.16 | 106.64 |
| As at March 31, 2023 | 106.64 | 0.07 | **106.71** |

## B. Other Equity

₹ (in Crore)

| Particulars | Share Application Money - Pending allotment | Reserves and Surplus | | | | | Total |
|---|---|---|---|---|---|---|---|
| | | Capital Redemption Reserve | Securities Premium | General Reserve | Share Options Outstanding Account | Retained Earnings | |
| **Opening balance as at April 01, 2021** | **0.00** | **52.41** | **567.16** | **174.97** | **12.53** | **3,862.63** | **4,669.70** |
| Profit for the year | - | - | - | - | - | 1,393.13 | 1,393.13 |
| Other Comprehensive Income - Remeasurement gain/(loss) of the defined benefit plans (net of tax) | - | - | - | - | - | 0.49 | 0.49 |
| **Total Comprehensive Income for the year** | **-** | **-** | **-** | **-** | **-** | **1,393.62** | **1,393.62** |
| Final Equity Dividend Paid | - | - | - | - | - | (724.43) | (724.43) |
| Transfer from Share Options Outstanding Account to Securities Premium (towards options exercised) | - | - | 3.17 | - | (3.17) | - | - |
| Additions during the year | 21.36 | - | 21.19 | - | 63.32 | - | 105.87 |
| Utilised during the year | (21.36) | - | - | - | - | - | (21.36) |
| **Changes during the year** | 0.00 | - | 24.36 | - | 60.15 | 669.19 | 753.70 |
| **Closing balance as at March 31, 2022** | **0.00** | **52.41** | **591.52** | **174.97** | **72.68** | **4,531.82** | **5,423.40** |
| **Opening balance as at April 01, 2022** | **0.00** | **52.41** | **591.52** | **174.97** | **72.68** | **4,531.82** | **5,423.40** |
| Profit for the year | - | - | - | - | - | 1,423.92 | 1,423.92 |
| Other Comprehensive Income - Remeasurement gain/(loss) of the defined benefit plans (net of tax) | - | - | - | - | - | 0.42 | 0.42 |
| **Total Comprehensive Income for the year** | **-** | **-** | **-** | **-** | **-** | **1,424.34** | **1,424.34** |
| Final Equity Dividend Paid | - | - | - | - | - | (895.86) | (895.86) |
| Transfer from Share Options Outstanding Account to Securities Premium (towards options exercised) | - | - | 1.42 | - | (1.42) | - | - |
| Additions during the year | 9.78 | - | 9.71 | - | 40.11 | - | 59.60 |
| Utilised during the year | (9.78) | - | - | - | - | - | (9.78) |
| **Changes during the year** | **-** | **-** | **11.13** | **-** | **38.69** | **528.48** | **578.30** |
| **Closing balance as at March 31, 2023** | **-** | **52.41** | **602.65** | **174.97** | **111.37** | **5,060.30** | **6,001.70** |

See summary of significant accounting policies and accompanying notes which form an integral part of the standalone financial statements

As per our report attached of even date

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

**Kapil Goenka**
Partner
Membership No. 118189

Mumbai, April 25, 2023

For and on behalf of the Board of Directors

**Deepak S Parekh**
Chairman
(DIN: 00009078)

**Navneet Munot**
Managing Director & Chief Executive Officer
(DIN: 05247228)

**Naozad Sirwalla**
Chief Financial Officer

**Sylvia Furtado**
Company Secretary
(ACS: 17976)





# Standalone Statement of Cash Flows

for the year ended March 31, 2023

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| **A. Cash Flow from Operating Activities** | | |
| **Profit Before Tax*** | **1,870.61** | **1,855.29** |
| **Add/(Less): Adjustments for** | | |
| Depreciation, Amortisation and Impairment | 53.34 | 53.85 |
| Finance Costs | 9.69 | 8.64 |
| Share-based Payments to Employees | 40.11 | 63.32 |
| (Profit)/Loss on Sale of Investments (net) | (21.21) | (35.21) |
| Fair Value (Gain)/Loss on Investments | (260.07) | (244.91) |
| Net (Gain)/Loss on foreign currency transactions and translations | (0.01) | 0.00 |
| (Profit)/Loss on Derecognition of Property, Plant and Equipment and Other Intangible Assets (net) | (0.11) | (0.04) |
| Investment Income from Financial Instruments | (28.91) | (31.20) |
| Other Interest Income | (1.95) | (1.26) |
| **Operating Profit before working capital changes** | **1,661.49** | **1,668.48** |
| **Adjustments for:** | | |
| (Increase)/Decrease in Trade Receivables | (109.21) | 5.37 |
| (Increase)/Decrease in Other Receivables | (6.61) | (2.14) |
| (Increase)/Decrease in Other Financial Assets | (0.04) | (0.23) |
| (Increase)/Decrease in Other Non-financial Assets | (12.47) | 7.05 |
| Increase/(Decrease) in Trade Payable | 6.37 | 3.40 |
| Increase/(Decrease) in Other Financial Liabilities | 1.08 | (10.12) |
| Increase/(Decrease) in Provisions | 0.78 | 3.91 |
| Increase/(Decrease) in Other Non-financial Liabilities | 18.14 | (6.55) |
| **Cash generated from/(used in) operations** | **1,559.53** | **1,669.17** |
| Income Tax Paid | (410.21) | (415.44) |
| **Net cash from/(used in) operating activities (A)** | **1,149.32** | **1,253.73** |
| **B. Cash Flow from Investing Activities** | | |
| Purchase of Property, Plant and Equipment and Other Intangible Assets | (14.10) | (10.23) |
| Proceeds from Sale of Property, Plant and Equipment and Other Intangible Assets | 0.12 | 0.06 |
| Purchase of Investments | (3,310.33) | (2,895.32) |
| Proceeds from Sale of Investments | 3,073.54 | 2,350.18 |
| Investment in Subsidiary Company | (3.00) | - |
| Dividend Received | 0.23 | 0.19 |
| Interest Received/(Paid) | 35.37 | 47.11 |
| **Net cash from/(used in) investing activities (B)** | **(218.17)** | **(508.01)** |

# Standalone Statement of Cash Flows

for the year ended March 31, 2023

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| **C. Cash Flow from Financing Activities** | | |
| Proceeds from Issuance of Share Capital | 9.78 | 21.36 |
| Principal Element of Lease Payments | (34.13) | (33.82) |
| Interest Element of Lease Payments | (9.69) | (8.64) |
| Final Equity Dividend Paid | (895.86) | (724.43) |
| **Net cash from/(used in) financing activities (C)** | **(929.90)** | **(745.53)** |
| **Net Increase/(Decrease) in Cash and Cash Equivalents (A + B + C)** | **1.25** | **0.19** |
| **Cash and Cash Equivalents at the beginning of the year** | **1.87** | **1.68** |
| Exchange differences on translation of foreign currency cash and cash equivalents | 0.00 | (0.00) |
| **Cash and Cash Equivalents at the end of the year** | **3.12** | **1.87** |
| **Cash and cash equivalents comprising of:** | | |
| Balance with banks | 3.12 | 1.87 |
| **Total** | **3.12** | **1.87** |
| *Amount spent towards Corporate Social Responsibility expense as per Section 135(5) of the Companies Act, 2013 (see note 32) | 31.68 | 30.10 |

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

See summary of significant accounting policies and accompanying notes which form an integral part of the standalone financial statements

As per our report attached of even date

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

**Kapil Goenka**
Partner
Membership No. 118189

Mumbai, April 25, 2023

For and on behalf of the Board of Directors

**Deepak S Parekh**
Chairman
(DIN: 00009078)

**Navneet Munot**
Managing Director & Chief Executive Officer
(DIN: 05247228)

**Naozad Sirwalla**
Chief Financial Officer

**Sylvia Furtado**
Company Secretary
(ACS: 17976)





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

## 1. Company overview

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

The Company is also registered under the SEBI (Portfolio Managers) Regulations, 1993 and provides Portfolio Management Services. Further, the Company acts as an Investment Manager to HDFC AMC AIF-II, a trust registered with SEBI as a Category II Alternative Investment Fund under the SEBI (Alternative Investment Funds) Regulations, 2012.

As at March 31, 2023, Housing Development Finance Corporation Limited, the holding company owned 52.56% of the Company's equity share capital.

The equity shares of the Company have been listed on National Stock Exchange of India Limited and BSE Limited since August 06, 2018.

## 2. Basis of preparation and recent accounting developments

### 2.1 Basis of preparation

#### a) Statement of compliance

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

The standalone financial statements were approved for issue by the Company's Board of Directors on April 25, 2023.

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

#### b) Presentation of standalone financial statements

The Company presents its standalone balance sheet in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 36.

#### c) Functional and presentation currency

Indian Rupee (₹) is the currency of the primary economic environment in which the Company operates and hence the functional currency of the Company. Accordingly, the management has determined that standalone financial statements are presented in Indian Rupees (₹).

#### d) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are remeasured into the functional currency at the exchange rate prevailing on the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in Standalone Statement of Profit or Loss. Non-monetary items that are measured in terms of historical cost in foreign currency are not re-translated.

#### e) Rounding Off

All amounts have been rounded-off to the nearest Crore up to two decimal places, unless otherwise indicated.

#### f) Basis of measurement

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

### g) Use of estimates and judgements

In preparing these standalone financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management believes that these estimates are prudent and reasonable and are based upon the management's best knowledge of current events and actions as on the reporting date. Actual results could differ from these estimates and differences between actual results and estimates are recognised in the periods in which the results/actions are known or materialised. Revisions to accounting estimates are recognised prospectively.

Assumptions and estimation uncertainties

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

- Note 3.3 (A) (iii) and 10– estimates of useful lives and residual value of property, plant and equipment, and other intangible assets;
- Note 10 – impairment test of non-financial assets: key assumptions underlying recoverable amounts including the recoverability of expenditure on intangible assets;
- Note 23 – measurement of defined benefit obligations: key actuarial assumptions;
- Note 24 – share-based payments;
- Note 25 – recognition of deferred tax assets;
- Note 30 – recognition and measurement of provisions and contingencies; key assumptions about the likelihood and magnitude of an outflow of resources, if any;
- Note 35 – financial instruments – fair values, risk management and impairment of financial assets;

### h) Measurement of fair values

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

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

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

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

The management regularly reviews significant unobservable inputs and valuation adjustments.

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

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

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

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

- Note 24 – share-based payment
- Note 35 – financial instruments – fair values and risk management and impairment of financial assets.





Notes to Standalone Financial Statements

for the year ended March 31, 2023

### 2.2 Recent Accounting Developments:

#### Standards issued/amended but not yet effective

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. On March 31, 2023, MCA amended the Companies (Indian Accounting Standards) Rules, 2015 by issuing the Companies (Indian Accounting Standards) Amendment Rules, 2023, applicable from April 01, 2023, as below.

#### Ind AS 1 – Presentation of Financial Statements

The amendments require companies to disclose their material accounting policies rather than their significant accounting policies. Accounting policy information, together with other information, is material when it can reasonably be expected to influence decisions of primary users of general purpose financial statements. The Company does not expect this amendment to have any significant impact in its financial statements.

#### Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The amendments will help entities to distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates has been replaced with a definition of accounting estimates. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The Company does not expect this amendment to have any significant impact in its financial statements.

#### Ind AS 12 – Income Taxes

The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of Ind AS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Company is evaluating the impact, if any, in its financial statements.

## 3. Significant Accounting Policies

### 3.1 Cash and Cash Equivalents

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

### 3.2 Financial instruments

#### (i) Recognition and initial measurement of financial assets and financial liabilities

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

All the financial assets and financial liabilities are initially recognised at fair value. A financial asset or financial liability which is not recognised at Fair Value Through Profit and Loss, is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets carried at fair value through profit or loss are expensed in Standalone Statement of Profit or Loss. Trade receivables that do not contain a significant financing component are measured at transaction price.

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

**(ii) Classification, Subsequent measurement, gains and losses of financial assets (other than investments in subsidiary)**

**Classification:**

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

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

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

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

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

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

**Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)**

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

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

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





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

*Subsequent measurement and gains and losses:*

| | |
|---|---|
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in the Standalone Statement of Profit and Loss. Any gain or loss on derecognition is recognised in the Standalone Statement of Profit and Loss. |
| Debt investments measured at FVOCI | These assets are subsequently measured at fair value. Interest income under effective interest method, foreign exchange gains and losses and impairment losses are recognised in the Standalone Statement of Profit and Loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the Standalone Statement of Profit and Loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in the Standalone Statement of Profit and Loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to Standalone Statement of Profit and Loss. |
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, any interest or dividend income, are recognised and are presented separately in the Standalone Statement of Profit and Loss |

**(iii) Classification, subsequent measurement, gains and losses of Financial liabilities**

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definition of a financial liability and an equity instrument.

Financial liabilities are classified as measured at amortised cost or FVTPL. A Financial Liability is classified as at FVTPL if it is classified as held for trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in Standalone Statement of Profit and Loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the Standalone Statement of Profit and Loss. Any gain or loss on derecognition is also recognised in the Standalone Statement of Profit and Loss.

**Derecognition of financial assets and financial liabilities**

**Financial assets**

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

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

**Financial liabilities**

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

**(iv) Impairment of financial instruments**

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

**Measurement of expected credit losses**

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

**Presentation of allowance for expected credit losses in the standalone balance sheet**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to Standalone Statement of Profit and Loss and is recognised in OCI.

**Write off**

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

**(v) Off-setting financial instruments**

Financial assets and liabilities are offset and the net amount is presented in the standalone balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

## 3.3 (A) Property, plant and equipment

**(i) Recognition and measurement**

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

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

**(ii) Subsequent expenditure**

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably.

**(iii) Depreciation**

Depreciation on property, plant and equipment is provided on straight-line basis as per the estimated useful life and in the manner prescribed in Schedule II of the Companies Act, 2013 except for certain assets.

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

| Class of property, plant and equipment | Useful Life (No. of years) | |
|---|---|---|
| | As per the Companies Act, 2013 | As per management's estimate |
| Buildings* | 60 | 50 |
| Computer Equipment: | | |
| Server and Network* | 6 | 4 |
| Others | 3 | 3 |
| Furniture and Fixtures* | 10 | 7 |
| Electrical Installations* | 10 | 7 |
| Office Equipment | 5 | 5 |
| Vehicles* | 8 | 4 |
| Improvement of Rented Premises | Not specified | Over the lease term or five years, whichever is less |

* Based on technical advice, management is of the opinion that the useful lives of these assets reflect the period over which they are expected to be used.

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





Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

**(iv) Derecognition**

The cost and related accumulated depreciation are eliminated from the standalone financial statements upon sale or retirement of the asset and the resultant gains or losses are recognised in the Standalone Statement of Profit and Loss. Assets to be disposed off are reported at the lower of the carrying value or the fair value less cost to sell.

**(B) Goodwill**

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

**(C) Other intangible assets**

Other intangible assets including computer software are measured at cost and recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Such other intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

**(i) Subsequent expenditure**

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

**(ii) Amortisation**

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

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

**(iii) Derecognition**

Intangible assets are derecognised on disposal or when no future economic benefits are expected to arise from its continuous use, and the resultant gains or losses are recognised in the Standalone Statement of Profit and Loss.

**(D) Intangible assets under development**

The intangible assets under development includes cost of intangible assets that are not ready for their intended use on the date of Balance Sheet less accumulated impairment losses.

## 3.4 Impairment of non-financial assets

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

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

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

An impairment loss in respect of goodwill is not subsequently reversed. In respect of other assets for which impairment loss has been recognised in prior periods,

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

### 3.5 Revenue recognition

#### (i) Rendering of services

The Company recognises revenue from contracts with customers based on a five step model as set out in Ind AS 115 - Revenue from Contracts with Customers, to determine when to recognise revenue and at what amount.

Revenue is measured based on the transaction price specified in the contract with a customer that is allocated to that performance obligation. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. Revenue from contracts with customers is recognised when services are provided and it is highly probable that a significant reversal of revenue is not expected to occur.

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

**Nature of services**

The Company principally generates revenue by providing asset management services to HDFC Mutual fund, Alternative Investment Fund (AIF) and other clients.

| Services | Nature, timing of satisfaction of performance obligations and significant payment terms |
|---|---|
| Investment Management Services to mutual fund | The Company has been appointed as the investment manager to HDFC Mutual Fund. The Company receives investment management fees from the mutual fund which is charged as a percent of the Assets Under Management (AUM) and is recognised on accrual basis. The maximum amount of management fee that can be charged is subject to applicable SEBI regulations.<br><br>The contract includes a single performance obligation (series of distinct services) that is satisfied over time and the investment management fees earned are considered as variable consideration. |
| Portfolio Management Services, Advisory Services and Investment Management Services to AIFs | The Company provides portfolio management services and advisory services to its clients wherein a separate agreement is entered into with each client. The Company earns management fees which is generally charged as a percent of the Assets Under Management (AUM) and is recognised on accrual basis. The Company, in certain instances also has a right to charge performance fee to the clients if the portfolio achieves a particular level of performance as mentioned in the agreement with the client, to the extent permissible under applicable regulations. Generally, no upfront fee is charged to the clients.<br><br>The Company has also been appointed as the investment manager to HDFC AMC AIF-II. The Company is entitled for management fee as per the terms of Investment Management Agreement and any other fees as agreed.<br><br>These contracts include a single performance obligation (series of distinct services) that is satisfied over time and the management fees and/or the performance fees earned are considered as variable consideration. |





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

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

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

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

- the gross carrying amount of the financial asset; or

- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the credit-impaired financial asset (i.e. the gross carrying amount less the allowance for expected credit losses). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Interest income/expense on financial instruments at FVTPL is not included in fair value changes but presented separately.

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

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

### 3.6 Scheme expenses & Commission

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

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

New Fund Offer (NFO) expenses on the launch of mutual fund schemes are borne by the Company and recognised in the Standalone Statement of Profit and Loss as and when incurred.

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

### 3.7 Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

#### (ii) Share-based payment transactions

The Employee Stock Option Scheme provides for the grant of options to acquire equity shares of the Company to its employees and certain directors. The period of vesting and period of exercise are as specified within the schemes. The fair value at grant date of equity settled share-based payment options granted to employees is recognised as an employee benefit expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the options. The amount recognised as expense is based on the

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

estimate of the number of options for which the related service conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of options that do meet the related service conditions at the vesting date. Such compensation cost is amortised over the vesting period of the respective tranches of such grant.

### (iii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into an account with a separate entity and has no legal or constructive obligation to pay further amounts. The Company makes specified periodic contributions to the credit of the employees' account with the Employees' Provident Fund Organisation. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Standalone Statement of Profit and Loss in the periods during which the related services are rendered by employees.

#### National Pension System (NPS)

NPS is a defined contribution plan. In case employee opts for NPS, the Company contributes a sum not exceeding 10% of basic salary plus dearness pay, if any, of the eligible employees' salary to the NPS. The Company recognises such contribution as an expense as and when incurred.

### (iv) Defined benefit plans

#### Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of the defined benefit obligation is performed periodically by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in Other Comprehensive Income. The Company determines the net interest expense/income on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability/asset, taking into account any changes in the net defined benefit liability/asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Standalone Statement of Profit and Loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in the Standalone Statement of Profit and Loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### (v) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than post-employment benefits, which do not fall due wholly within 12 months after the end of the period in which the employees render the related services, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The obligation is measured on the basis of an independent actuarial valuation using the projected unit credit method. Remeasurements gains or losses are recognised as profit or loss in the period in which they arise.

## 3.8 Provisions (other than for employee benefits), contingent liabilities, contingent assets and commitments

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

A contingent asset is not recognised but disclosed in the standalone financial statements where an inflow of economic benefit is probable.

Commitments includes the amount of purchase order (net of advance) issued to counterparties for supplying/development of assets and amounts pertaining to Investments which have been committed but not called for.

Provisions, contingent assets, contingent liabilities and commitments are reviewed at each balance sheet date.

## 3.9 Leases

The Company assesses whether the contract is, or contains, a lease at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### As a lessee

The Company leases some office premises. The Company recognises Right-of-Use (ROU) and lease liabilities for these leases i.e. these leases are on-balance sheet.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and is discounted using the Company's incremental borrowing rate. Since the Company does not have any debts, the Company's incremental borrowing rate has been determined based on the risk-free rate which is adjusted for the financial spread based on the credit spread of the Holding Company.

Certain leases include lease and non-lease components, which are accounted for as one single lease component. Occupancy lease agreements, in addition to contractual rent payments, generally include additional payments for certain costs incurred by the landlord, such as maintenance expenses and utilities. To the extent these are fixed or determinable, they are included as part of the lease payments used to measure the lease liability.

The ROU asset is initially measured at cost, which comprises of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received; plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. The ROU assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

Leases may include options to extend, terminate the lease which are included in the ROU Assets and Lease Liability when they are reasonably certain of exercise.

The lease liability is remeasured when there is a change in one of the following:

- the Company's estimate of the amount expected to be payable under a residual value guarantee, or
- the Company's assessment of whether it will exercise a purchase, extension, or termination option or
- if there is a modification in the lease.

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the Standalone Statement of Profit and Loss if the carrying amount of the ROU asset has been reduced to nil.

**As a lessor:**

When the Company is the lessor, the lease is classified as either a finance lease or an operating lease. A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. An operating lease is a lease where substantially all of the risks and rewards of the leased asset remain with the lessor.

Amounts due from lessees under finance leases are recorded as receivables. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

### 3.10 Income tax

Income tax comprises of current and deferred tax. It is recognised in the Standalone Statement of Profit and Loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in Other Comprehensive Income.

**(i) Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

**(ii) Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits, if any

Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is other convincing evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

### 3.11 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM's function is to allocate the resources of the Company and assess the performance of the operating segments of the Company.

### 3.12 Earnings Per Share (EPS)

The basic earnings per share is computed by dividing profit after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding during the reporting period.

The diluted earnings per share is computed by dividing profit after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding plus the weighted average number of equity shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares, unless they are anti-dilutive.

### 3.13 Investments in Subsidiary

Investments in Subsidiary is measured at cost as per Ind AS 27 – Separate Financial Statements.

### 3.14 Dividends on Equity Shares

The Company recognises a liability to make cash distributions to equity shareholders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders except in case of interim dividend. A corresponding amount is recognised directly in equity.

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

## Note 4 Cash and Cash Equivalents

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Balances with Banks | 3.12 | 1.87 |
| **Total** | **3.12** | **1.87** |

## Note 5 Bank Balance other than Cash and Cash Equivalents

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Other Bank Balances | | |
| - Fixed Deposit with Bank (security against bank guarantee) | 0.15 | 0.14 |
| Earmarked Balances with Banks | | |
| - Unclaimed Equity Dividend | 0.70 | 0.51 |
| - Withheld Brokerage | 0.04 | 0.05 |
| - Unspent Corporate Social Responsibility Account | - | 5.50 |
| **Total** | **0.89** | **6.20** |

## Note 6 Trade Receivables

**(Considered good – Unsecured)**

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Investment Management Fee Receivable | 182.94 | 69.50 |
| Portfolio Management Fee and Other Advisory Services Fee Receivable | 0.80 | 5.03 |
| **Total** | **183.74** | **74.53** |

## Trade Receivables Ageing

**(Undisputed Trade receivables – considered good)**

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Unbilled dues (A) | 183.56 | 72.18 |
| Outstanding for following periods from due date of payment | | |
| Less than 6 months | 0.18 | 2.35 |
| 6 months -1 year | - | 0.00 |
| 1-2 years | - | 0.00 |
| 2-3 years | 0.00 | 0.00 |
| More than 3 years | 0.00 | 0.00 |
| **Total Outstanding (B)** | **0.18** | **2.35** |
| **Total (A+B)** | **183.74** | **74.53** |





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

## Note 7 Other Receivables *

**(Considered good – Unsecured)**

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Related Parties (see note 26) | 2.19 | - |
| Others | 10.40 | 5.99 |
| **Total** | **12.59** | **5.99** |

* No debts are due from directors or other officers or any of them either severally or jointly with any other person. No debts are due from firms, Limited Liability Partnerships or private companies in which any director is a partner or a director or a member.

## Note 8 Investments

₹ (in Crore)

| Sr. No. | Particulars | As at March 31, 2023 | | | | As at March 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Amortised Cost | At Fair Value Through Profit and Loss | At Cost | Total | Amortised Cost | At Fair Value Through Profit and Loss | At Cost | Total |
| | | (1) | (2) | (3) | (4=1+2+3) | (1) | (2) | (3) | (4=1+2+3) |
| 1 | Mutual Funds | - | 5,476.86 | - | 5,476.86 | - | 4,938.66 | - | 4,938.66 |
| 2 | Debt Securities | 417.94 | 7.41 | - | 425.35 | 462.93 | 6.98 | - | 469.91 |
| 3 | Equity Instruments | - | 23.18 | - | 23.18 | - | 22.85 | - | 22.85 |
| 4 | Alternative Investment Funds | - | 127.57 | - | 127.57 | - | 115.70 | - | 115.70 |
| 5 | Venture Capital Fund | - | 23.20 | - | 23.20 | - | 23.11 | - | 23.11 |
| 6 | Subsidiary-Equity Shares* | - | - | 3.00 | 3.00 | - | - | - | - |
| | **Total Gross Investments (A)** | **417.94** | **5,658.22** | **3.00** | **6,079.16** | **462.93** | **5,107.30** | **-** | **5,570.23** |
| 7 | (i) Investments outside India | - | - | - | - | - | - | - | - |
| | (ii) Investments in India | 417.94 | 5,658.22 | 3.00 | 6,079.16 | 462.93 | 5,107.30 | - | 5,570.23 |
| | **Total (B)** | **417.94** | **5,658.22** | **3.00** | **6,079.16** | **462.93** | **5,107.30** | **-** | **5,570.23** |
| | Less: Allowance for Impairment (C) | - | - | - | - | - | - | - | - |
| | **Total Net Investments (D = A - C)** | **417.94** | **5,658.22** | **3.00** | **6,079.16** | **462.93** | **5,107.30** | **-** | **5,570.23** |

* A Wholly-owned Subsidiary ('WOS') of the Company namely 'HDFC AMC International (IFSC) Limited', with its principal place of business located in Gujarat International Finance Tec-City (GIFT City), Gandhinagar, India, had been incorporated effective May 27, 2022.

## Note 9 Other Financial Assets

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Interest accrued on Fixed Deposits | 0.00 | 0.00 |
| Interest accrued on Investments | 10.02 | 11.22 |
| Security Deposits | 13.96 | 13.98 |
| Investment Application Money Pending Allotment * | 7.20 | - |
| **Total** | **31.18** | **25.20** |

* Date of allotment: April 03, 2023

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

## Note 10 (A) Property, Plant and Equipment, Goodwill and Other Intangible Assets

₹ (in Crore)

| Particulars | Gross Block | | | | Depreciation/Amortisation | | | | Net Block |
|---|---|---|---|---|---|---|---|---|---|
| | As at April 01, 2022 | Additions | Deductions | As at March 31, 2023 | As at April 01, 2022 | For the year | Deductions | As at March 31, 2023 | As at March 31, 2023 |
| **Property, Plant and Equipment** | | | | | | | | | |
| Buildings | | | | | | | | | |
| Freehold | 4.34 | - | - | 4.34 | 0.50 | 0.10 | - | 0.60 | 3.74 |
| Right of Use Asset | 172.84 | 60.42 | 24.52 | 208.74 | 74.68 | 36.90 | 20.55 | 91.03 | 117.71 |
| Furniture & Fixtures | 2.77 | 0.61 | 0.18 | 3.20 | 1.99 | 0.31 | 0.18 | 2.12 | 1.08 |
| Vehicles | 0.50 | - | - | 0.50 | 0.13 | 0.12 | - | 0.25 | 0.25 |
| Office Equipment | 10.18 | 1.72 | 1.77 | 10.13 | 6.10 | 2.01 | 1.77 | 6.34 | 3.79 |
| Computer Equipment | 27.71 | 2.58 | 1.76 | 28.53 | 17.53 | 6.25 | 1.76 | 22.02 | 6.51 |
| Electrical Installations | 0.34 | - | - | 0.34 | 0.34 | - | - | 0.34 | - |
| Improvement of Rented Premises | 17.78 | 2.30 | 2.28 | 17.80 | 13.01 | 2.56 | 2.28 | 13.29 | 4.51 |
| **Total** | **236.46** | **67.63** | **30.51** | **273.58** | **114.28** | **48.25** | **26.54** | **135.99** | **137.59** |
| **Goodwill and Other Intangible Assets** | | | | | | | | | |
| Goodwill | 6.04 | - | - | 6.04 | - | - | - | - | 6.04 |
| Computer Software | 23.71 | 5.06 | 1.53 | 27.24 | 16.83 | 5.09 | 1.52 | 20.40 | 6.84 |
| **Total** | **29.75** | **5.06** | **1.53** | **33.28** | **16.83** | **5.09** | **1.52** | **20.40** | **12.88** |





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

## Note 10 (A) Property, Plant and Equipment, Goodwill and Other Intangible Assets

₹ (in Crore)

| Particulars | Gross Block | | | | Depreciation/Amortisation | | | | Net Block |
|---|---|---|---|---|---|---|---|---|---|
| | As at April 01, 2021 | Additions | Deductions | As at March 31, 2022 | As at April 01, 2021 | For the year | Deductions | As at March 31, 2022 | As at March 31, 2022 |
| **Property, Plant And Equipment** | | | | | | | | | |
| Buildings | | | | | | | | | |
| Freehold | 4.34 | - | - | 4.34 | 0.40 | 0.10 | - | 0.50 | 3.84 |
| Right of Use Asset | 211.11 | 25.18 | 63.45 | 172.84 | 102.41 | 35.25 | 62.98 | 74.68 | 98.16 |
| Furniture & Fixtures | 2.60 | 0.22 | 0.05 | 2.77 | 1.80 | 0.24 | 0.05 | 1.99 | 0.78 |
| Vehicles | 0.50 | - | - | 0.50 | 0.01 | 0.12 | - | 0.13 | 0.37 |
| Office Equipment | 9.83 | 1.02 | 0.67 | 10.18 | 4.70 | 2.07 | 0.67 | 6.10 | 4.08 |
| Computer Equipment | 25.92 | 5.29 | 3.50 | 27.71 | 14.40 | 6.62 | 3.49 | 17.53 | 10.18 |
| Electrical Installations | 0.34 | - | - | 0.34 | 0.34 | - | - | 0.34 | - |
| Improvement of Rented Premises | 17.05 | 1.10 | 0.37 | 17.78 | 10.77 | 2.61 | 0.37 | 13.01 | 4.77 |
| **Total** | **271.69** | **32.81** | **68.04** | **236.46** | **134.83** | **47.01** | **67.56** | **114.28** | **122.18** |
| **Goodwill and Other Intangible Assets** | | | | | | | | | |
| Goodwill | 6.04 | - | - | 6.04 | - | - | - | - | 6.04 |
| Computer Software | 28.72 | 3.41 | 8.42 | 23.71 | 18.40 | 6.84 | 8.41 | 16.83 | 6.88 |
| **Total** | **34.76** | **3.41** | **8.42** | **29.75** | **18.40** | **6.84** | **8.41** | **16.83** | **12.92** |

**Impairment testing**

The Goodwill relates to acquisition of rights to operate, administer and manage schemes of the erstwhile Morgan Stanley Mutual Fund. The recoverable amount is the management fee income based on the present value of the future cash flows expected to be derived from the asset (value in use). Management fee income is assumed to be generated at a constant rate and is discounted using a pre-tax discount rate of 7.14% (Previous Year 4.67%) based on one year Government security (G-sec) yield.

An analysis of sensitivity of the computation to a change in key parameters based on reasonably probable assumptions did not identify any probable scenarios in which the recoverable amount would decrease below the carrying amount of goodwill. Consequently, no impairment is required.

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

## Note 10 (B) Intangible Assets Under Development

For the year ended March 31, 2023

**Intangible assets under development ageing schedule**

₹ (in Crore)

| Intangible assets under development | As at March 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Amount in Intangible asset under development for a period of | | | | Total |
| Particulars | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | |
| Projects in progress | 2.14 | - | - | - | 2.14 |
| Projects temporarily suspended | - | - | - | - | - |
| **Total** | **2.14** | **-** | **-** | **-** | **2.14** |

There are no Intangible assets under development as at March 31, 2023, whose completion is overdue or has exceeded its cost compared to its original plan.

For the year ended March 31, 2022

**Intangible assets under development ageing schedule**

₹ (in Crore)

| Intangible assets under development | As at March 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Amount in Intangible asset under development for a period of | | | | Total |
| Particulars | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | |
| Projects in progress | 0.46 | - | - | - | 0.46 |
| Projects temporarily suspended | - | - | - | - | - |
| **Total** | **0.46** | **-** | **-** | **-** | **0.46** |

There are no Intangible assets under development as at March 31, 2022, whose completion is overdue or has exceeded its cost compared to its original plan.

## Note 11 Other Non-Financial Assets

**(Considered good – Unsecured)**

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Capital Advances | 0.53 | 0.38 |
| Prepaid Expenses | | |
| - Related Parties (see note 26) | 4.94 | 7.87 |
| - Others | 11.56 | 11.64 |
| | **16.50** | **19.51** |
| Goods & Services Tax Credit Receivable | 21.71 | 6.95 |
| Other Advances | | |
| - Related Parties (see note 26) | 2.71 | 2.61 |
| - Others | 1.33 | 0.71 |
| | **4.04** | **3.32** |
| **Total** | **42.78** | **30.16** |





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

## Note 12 Trade Payables

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Outstanding dues of Micro Enterprises and Small Enterprises | - | - |
| Outstanding dues of creditors other than Micro Enterprises and Small Enterprises | | |
| - Related Parties (see note 26) | 6.91 | 1.06 |
| - Others | 28.69 | 28.18 |
| **Total** | **35.60** | **29.24** |

## Trade Payables Ageing

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| **MSME (A)** | - | - |
| **Others – Undisputed** | | |
| Unbilled dues (B) | 28.69 | 29.24 |
| Outstanding for following periods from due date of payment | | |
| Less than 1 year | 6.91 | - |
| Total (C) | 6.91 | - |
| **Total Others – Undisputed (D) = (B+C)** | 35.60 | 29.24 |
| **Total (A+D)** | **35.60** | **29.24** |

## Note 13 Other Financial Liabilities

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Employee Benefits | 68.97 | 65.06 |
| Other Dues | 6.12 | 14.45 |
| Unclaimed Equity Dividend | 0.70 | 0.51 |
| Lease Liability | 130.47 | 109.62 |
| **Total** | **206.26** | **189.64** |

## Note 14 Provisions

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Provision for Employee Benefits (Compensated absences & Leave encashment) | 12.57 | 11.79 |
| **Total** | **12.57** | **11.79** |

# Notes to Standalone Financial Statements
for the year ended March 31, 2023

## Note 15 Deferred Tax Liabilities (net) (see note 25)

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Deferred Tax Asset | (48.30) | (41.39) |
| Deferred Tax Liability | 149.07 | 116.73 |
| **Total** | **100.77** | **75.34** |

## Note 16 Other Non-Financial Liabilities

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Statutory Dues | 50.44 | 32.98 |
| Employee Benefits | 4.09 | 3.97 |
| **Total** | **54.53** | **36.95** |

## Note 17 Share Capital

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| **Authorised** | | |
| 60,00,00,000 Equity Shares of ₹5 each (Previous Year: 60,00,00,000 Equity Shares of ₹5 each) | 300.00 | 300.00 |
| 5,00,00,000 Redeemable, Cumulative Non-Convertible Preference Shares of ₹10 each | 50.00 | 50.00 |
| (Previous Year: 5,00,00,000 Redeemable, Cumulative Non-Convertible Preference Shares of ₹10 each) | | |
| **Total** | **350.00** | **350.00** |
| **Issued, Subscribed and Paid-up** | | |
| 21,34,24,716 Equity Shares of ₹5 each (Previous Year: 21,32,78,552 Equity Shares of ₹5 each), fully paid up | 106.71 | 106.64 |
| | **106.71** | **106.64** |

### a) Movement in Equity Share Capital during the year:

₹ (in Crore)

| Particulars | March 31, 2023 | | March 31, 2022 | |
|---|---|---|---|---|
| | No. of Equity Shares | Share Capital | No. of Equity Shares | Share Capital |
| Shares outstanding at the beginning of the year (face value of ₹5 each) | 21,32,78,552 | 106.64 | 21,29,54,202 | 106.48 |
| Add: Shares issued during the year (face value of ₹5 each) | 1,46,164 | 0.07 | 3,24,350 | 0.16 |
| **Shares outstanding at the end of the year (face value of ₹5 each)** | **21,34,24,716** | **106.71** | **21,32,78,552** | **106.64** |

### b) Terms/Rights attached to Equity Shares

1. The Company had issued only one class of equity shares referred to as equity share having face value of ₹10 each which was sub-divided to ₹5 each w.e.f. February 13, 2018. Each holder of equity shares is entitled to one vote per share.
2. The holders of equity shares are entitled to dividends, if any, proposed by the board of directors and approved by the Shareholders at the Annual General Meeting.





# Notes to Standalone Financial Statements
for the year ended March 31, 2023

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

c) 11,21,79,830 equity shares of ₹5 each (Previous Year 11,21,79,830 equity shares of ₹5 each) are held by Housing Development Finance Corporation Limited (Holding Company).

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

| Name of the Shareholder | As at March 31, 2023 | | As at March 31, 2022 | |
|---|---|---|---|---|
| | No. of Equity Shares (Face Value ₹5) | % of Share Capital | No. of Equity Shares (Face Value ₹5) | % of Share Capital |
| Housing Development Finance Corporation Limited (Holding Company) | 11,21,79,830 | 52.56 | 11,21,79,830 | 52.60 |
| Abrdn Investment Management Limited (formerly known as Standard Life Investments Limited) | 2,17,78,305 | 10.20 | 3,45,78,305 | 16.21 |
| Life Insurance Corporation of India | 1,96,58,764 | 9.21 | 1,49,29,855 | 7.00 |

e) 13,56,484 equity shares of ₹5 each are reserved for issuance towards outstanding employee stock options.

f) No equity shares were bought back during last five years.

g) No shares were allotted as fully paid-up 'pursuant to any contract without payment being received in cash' in last five years.

h) 7,89,58,200 fully paid up equity shares of ₹10 each were issued by way of bonus shares during the period of five years immediately preceding the reporting date.

### i) Details of shareholding of Promoters:

| Promoter name | As at March 31, 2023 | | | As at March 31, 2022 | | | As at April 01, 2021 |
|---|---|---|---|---|---|---|---|
| | No. of Equity Shares (Face Value ₹5) | % of total Share Capital | % Change during the year# | No. of Equity Shares (Face Value ₹5) | % of total Share Capital | % Change during the year# | No. of Equity Shares (Face Value ₹5) |
| Housing Development Finance Corporation Limited (Holding Company) | 11,21,79,830 | 52.56 | - | 11,21,79,830 | 52.60 | - | 11,21,79,830 |
| Abrdn Investment Management Limited (formerly known as Standard Life Investments Limited) | 2,17,78,305 | 10.20 | (37.02) | 3,45,78,305 | 16.21 | (23.55) | 4,52,28,305 |

# Computed vis-à-vis number of shares held by the same entity

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

## Note 18 Nature and purpose of reserves

### Share application pending allotment

Until the shares are allotted, the amount received is shown under the Share Application Money Pending Allotment.

### Capital redemption reserve

Whenever there is a buy-back or redemption of share capital, the nominal value of the capital is transferred to a reserve called Capital Redemption Reserve so as to retain the capital.

### Securities premium

Securities Premium is used to record the premium (amount received in excess of face value of equity shares) on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013. The securities premium also includes amount transfered from Share options outstanding account upon exercise of options by employees and subsequent allotment of shares to them.

### General reserve

Pursuant to the provisions of Companies Act,1956, the Company had transferred a portion of its net profit before declaring dividend, to general reserve. Mandatory transfer to general reserve is not required under the Companies Act, 2013.

### Share options outstanding account

The grant date fair value of equity-settled share-based payment transactions with employees and directors are recognised in the Standalone Statement of Profit and Loss with the corresponding credit to this account over the vesting period. The amounts recorded in Share options outstanding account are transferred to securities premium upon exercise of stock options by the employees and subsequent allotment of shares to them.

### Retained earnings

Retained earnings are the profits that a company has earned to date, less any dividends or other distributions paid to the Shareholders, net of utilisation as permitted under applicable regulations.

## Note 19 Asset Management Services

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| Investment Management Fee | 2,160.79 | 2,103.24 |
| Portfolio Management Fee and Other Advisory Services Fee | 6.02 | 12.12 |
| **Total** | **2,166.81** | **2,115.36** |





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

## Note 20 Other Income

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| **Income from Investments** | | |
| Interest Income from Investments | | |
| - On Financial Assets measured at Amortised Cost | 28.68 | 31.01 |
| Interest on deposit with Banks | | |
| - On Financial Assets measured at Amortised Cost | 0.00 | 0.00 |
| Net gain on Financial Instruments | | |
| - On Financial Assets measured at Fair Value Through Profit and Loss | 280.97 | 279.59 |
| Dividend Income from Investments | | |
| - On Financial Assets measured at Fair Value Through Profit and Loss | 0.23 | 0.19 |
| **Total Income from Investments (A)** | **309.88** | **310.79** |
| **Others** | | |
| Net gain/(loss) on derecognition of Property, Plant and Equipment | 0.11 | 0.03 |
| Net gain/(loss) on Foreign Exchange Transactions | (0.04) | 0.06 |
| Other Interest Income | 1.59 | 2.57 |
| Miscellaneous Income | 4.22 | 4.39 |
| **Total Others (B)** | **5.88** | **7.05** |
| **Total Other Income (A+B)** | **315.76** | **317.84** |

## Note 21 Employee Benefits Expenses

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| Salaries, Allowances and Bonus | 253.75 | 234.05 |
| Contribution to Provident and Other Funds | 12.95 | 12.02 |
| Share-based Payments to Employees* | 40.11 | 63.32 |
| Staff Welfare and Training Expenses | 5.86 | 2.81 |
| **Total** | **312.67** | **312.20** |

* Accounting for equity settled share-based payment transaction (ESOPs) at fair value increases the non-cash component of Employee Benefits Expenses and is also reflected in Share Options Outstanding Account under Other Equity. This balance of Share Options Outstanding Account is transferred to Securities Premium as and when the stock options are exercised by the employees and subsequent allotment of shares to them. Hence, this charge is neutral to Equity of the Company.

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

## Note 22 Other Expenses

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| New Fund Offer and Mutual Fund Expenses | 8.33 | 15.42 |
| Advertisement, Publicity and Business Promotion | 38.04 | 27.59 |
| Rent | 0.38 | 0.35 |
| Rates and Taxes | 0.36 | 0.54 |
| Electricity Charges | 5.51 | 4.83 |
| Office Cleaning and Security Cost | 17.82 | 17.06 |
| Repair and Maintenance | 5.95 | 5.15 |
| Communication Expenses | 7.35 | 6.05 |
| Printing, Stationery and Courier | 10.00 | 10.20 |
| Directors' Sitting Fees, Commission, allowances and expenses | 3.16 | 3.23 |
| **Auditors Remuneration:** | | |
| Audit Fee | 0.29 | 0.26 |
| Limited Reviews | 0.17 | 0.15 |
| Tax Audit Fee | 0.04 | 0.04 |
| Taxation Matters | 0.17 | 0.19 |
| Reimbursement of Expenses | 0.01 | 0.01 |
| Other Services | 0.09 | 0.04 |
| | 0.77 | 0.69 |
| Legal and Professional Fees | 5.95 | 6.81 |
| Insurance Expenses | 5.73 | 5.02 |
| Travel and Conveyance | 8.00 | 4.83 |
| Subscription and Membership Fees | 12.91 | 9.58 |
| Outsourced Services Cost | 26.13 | 21.72 |
| Donations | 0.03 | 0.02 |
| Corporate Social Responsibility expense as per Section 135 (5) of the Companies Act, 2013 (see note 32) | 31.68 | 30.10 |
| Software Expenses and Allied Services | 30.50 | 21.18 |
| KYC Expenses related to Mutual Fund Investors | 5.15 | 4.48 |
| Miscellaneous Expenses | 8.83 | 2.96 |
| **Total** | **232.58** | **197.81** |

## Note 23 Employee Benefits

**a) Defined Contribution Plan**

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

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| Employer's contribution to Provident Fund | 7.29 | 6.81 |
| Employer's contribution to National Pension System | 1.24 | 0.78 |





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

**b) Defined Benefit Plan – Gratuity**

In accordance with the applicable Indian laws, the Company has a defined benefit plan which provides for gratuity payments. The plan provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment, which requires contributions to be made to a separately administered fund.

The fund is managed by a trust which is governed by the Board of Trustees. The Board of Trustees are responsible for the administration of the plan assets and for the definition of the investment strategy.

The amounts are based on the respective employee's last drawn salary and the years of employment with the Company. Liabilities in respect of the gratuity plan are determined by an actuarial valuation, based upon which the Company makes annual contributions to the plan. The plan is funded with a life insurance company in the form of a qualifying insurance policy.

The following tables summaries the components of net employee benefit expense recognised in the Standalone Statement of Profit and Loss, the funded status and amounts recognised in Standalone Balance Sheet.

### (i) Changes in Present Value of the Defined Benefit Obligation

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Obligation as at beginning of the year | 38.32 | 37.20 |
| Current service cost | 3.76 | 3.71 |
| Interest cost | 2.74 | 2.44 |
| Benefits paid | (5.79) | (3.37) |
| Actuarial (gains)/losses on obligation – due to change in demographic assumptions | (0.10) | 0.23 |
| Actuarial (gains)/losses on obligation – due to change in financial assumptions | (1.90) | (2.76) |
| Actuarial (gains)/losses on obligation – due to experience adjustments | 0.34 | 0.87 |
| Obligation as at the end of the year | 37.37 | 38.32 |

### (ii) Change in the Fair Value of Plan Assets

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Fair Value of Plan Assets at the beginning of the year | 34.94 | 32.31 |
| Expected return on plan assets | 2.50 | 2.12 |
| Contributions by the Employer | 3.37 | 4.88 |
| Benefit Paid from the Fund | (5.79) | (3.37) |
| Actuarial gain/(loss) on plan assets | (1.10) | (1.00) |
| Fair Value of Plan Assets at the end of the year | 33.92 | 34.94 |

### (iii) Actual Return on Plan Assets

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Expected return on Plan Assets | 2.50 | 2.12 |
| Actuarial gain/(loss) on Plan Assets | (1.10) | (1.00) |
| Actual Return on Plan Assets | 1.40 | 1.12 |

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

### (iv) Amount recognised in the Standalone Balance Sheet

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Present Value of defined benefit obligation | (37.37) | (38.32) |
| Fair Value of Plan Assets | 33.92 | 34.94 |
| Funded status [surplus/(deficit)] | (3.45) | (3.38) |
| Net (Liability)/Asset recognised in the Standalone Balance Sheet | (3.45) | (3.38) |

### (v) Expenses recognised in the Standalone Statement of Profit and Loss

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| Current service cost | 3.76 | 3.71 |
| Interest Cost | 2.74 | 2.44 |
| Expected Return on Plan Assets | (2.50) | (2.12) |
| Expenses recognised in the Standalone Statement of Profit and Loss | 4.00 | 4.03 |

### (vi) Expenses recognised in Standalone Other Comprehensive Income (OCI)

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| Actuarial (gains)/losses on Obligation | (1.66) | (1.66) |
| Actuarial (gains)/losses on Plan Assets | 1.10 | 1.00 |
| Net (income)/expense for the year recognised in Standalone OCI | (0.56) | (0.66) |

### (vii) Amount recognised in the Standalone Balance Sheet

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Liability at the end of the year | 37.37 | 38.32 |
| Fair Value of Plan Assets at the end of the year | (33.92) | (34.94) |
| Amount recognised in the Standalone Balance Sheet as Liability | 3.45 | 3.38 |

### (viii) Balance sheet reconciliation

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Net Liability as at the beginning of the year | 3.38 | 4.89 |
| Expenses recognised in the Standalone Statement of Profit and Loss | 4.00 | 4.03 |
| Expenses/(Income) recognised in Standalone OCI | (0.56) | (0.66) |
| Contributions by the Employer | (3.37) | (4.88) |
| Net Liability/(Asset) recognised in Standalone Balance Sheet | 3.45 | 3.38 |





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

### (ix) Investment Pattern

| Particulars | % Invested | |
|---|---|---|
| | As at March 31, 2023 | As at March 31, 2022 |
| Money Market Instruments, Public Deposits and Net Current Assets | 7.38 | 13.52 |
| Debentures/Bonds | 45.46 | 34.77 |
| Government Securities | 47.16 | 51.71 |

### (x) Actuarial Assumptions

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Expected Return on Plan Assets | 7.41% | 7.15% |
| Rate of Discounting | 7.41% | 7.15% |
| Rate of Salary Increase | 6.50% | 5.00% p.a. for the next 1 year, 7.00% p.a. thereafter, starting from the 2nd year |
| Rate of Employee Turnover | For service four years and below 18.84% p.a. For service five years and above 8.81% p.a. | For service four years and below 14.71% p.a. For service five years and above 5.17% p.a. |
| Mortality Rate During Employment | Indian Assured Lives Mortality 2012-14 (Urban) | Indian Assured Lives Mortality 2012-14 (Urban) |

### (xi) The Company generally makes annual contributions to the plan based on the actuarial valuation of 'amount recognised in the Standalone Balance Sheet as Liability at the year end'.

### (xii) The expected contributions to the plan for the next annual reporting period

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| The expected contributions to the plan for the next annual reporting period | 5.12 | 4.70 |

### (xiii) Maturity Analysis of the benefit payments

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Projected benefits payable in future years from the date of reporting | | |
| 1st Following year | 3.57 | 2.26 |
| 2nd Following year | 3.41 | 2.10 |
| 3rd Following year | 3.45 | 2.17 |
| 4th Following year | 4.06 | 2.32 |
| 5th Following year | 4.27 | 3.09 |
| Sum of years 6 to 10 | 17.09 | 18.78 |
| Sum of years 11 and above | 31.39 | 52.32 |

The Weighted average duration of the projected benefit obligation is eight years (March 31, 2022: 10 years)

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

### (xiv) Sensitivity Analysis

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Projected Benefit Obligation on Current Assumptions | **37.37** | 38.32 |
| Delta Effect of +1% Change in Rate of Discounting | **(2.25)** | (3.13) |
| Delta Effect of -1% Change in Rate of Discounting | **2.53** | 3.62 |
| Delta Effect of +1% Change in Rate of Salary Increase | **2.53** | 3.59 |
| Delta Effect of -1% Change in Rate of Salary Increase | **(2.29)** | (3.17) |
| Delta Effect of +1% Change in Rate of Employee Turnover | **0.10** | 0.00 |
| Delta Effect of -1% Change in Rate of Employee Turnover | **(0.12)** | 0.00 |

The sensitivity analysis have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analysis presented above may not be representative of the actual change in the Defined Benefit Obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the Defined Benefit Obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as applied in calculating the Defined Benefit Obligation as recognised in the standalone balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

**Risks associated with Defined Benefit Plan:**

*(i) Interest Rate Risk*

A fall in the discount rate which is linked to the G.Sec. Rate will increase the present value of the liability requiring higher provision. A fall in the discount rate generally increases the mark to market value of the assets depending on the duration of asset.

*(ii) Salary Risk*

The present value of the defined benefit plan liability is calculated by reference to the future salaries of members. As such, an increase in the salary of the members more than assumed level will increase the plan's liability.

*(iii) Investment Risk*

The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds. If the return on plan asset is below this rate, it will create a plan deficit. Currently, for the plan in India, it has a relatively balanced mix of investments in government securities and other debt instruments.

*(iv) Asset Liability Matching (ALM) Risk*

The plan faces the ALM risk as to the matching cash flow. Since the plan is invested in lines of Rule 101 of Income Tax Rules, 1962, this generally reduces ALM risk.

*(v) Mortality Risk*

Since the benefits under the plan is not payable for life time and payable till retirement age only, plan does not have any longevity risk.





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

*(vi) Concentration Risk*

Plan is having a concentration risk as all the assets are invested with the insurance company and a default will wipe out all the assets. Although probability of this is very low as insurance companies have to follow stringent regulatory guidelines which mitigate risk.

During the year, there were no plan amendments, curtailments and settlements.

## Note 24 Share-based payments

**Accounting for Employee Share-based Payments**

Under Employees Stock Option Scheme 2020 (ESOS 2020), the Company had on July 21, 2022 granted 50,000 stock options, representing 50,000 equity shares of ₹5/- each to few employees of the Company. The said stock options have been granted at the market price as defined in SEBI (Share -based Employees Benefits) Regulations, 2014. Accordingly, the stock options have been granted at ₹1,921.70 per option, being the latest available closing price of the shares of the Company on National Stock Exchange of India Limited, on July 20, 2022 being the previous trading day immediately preceding the date on which Grant of Options was approved by the Nomination & Remuneration Committee of the Board of Directors of the Company ('Nomination & Remuneration Committee').

Under Employees Stock Option Scheme 2020 (ESOS 2020), the Company had on January 24, 2022 granted 1,82,000 stock options, representing 1,82,000 equity shares of ₹5/- each to few employees of the Company. The said stock options have been granted at the market price as defined in SEBI (Share-based Employees Benefits) Regulations, 2014. Accordingly, the stock options have been granted at ₹2,369.40 per option, being the latest available closing price of the shares of the Company on National Stock Exchange of India Limited, on January 21, 2022 being the previous trading day immediately preceding the date on which Grant of Options was approved by the Nomination & Remuneration Committee.

Under ESOS 2020, the Company had on February 22, 2021 granted 11,45,000 stock options, representing 11,45,000 equity shares of ₹5/- each to few employees of the Company. The said stock options have been granted at the market price as defined in SEBI (Share-based Employees Benefits) Regulations, 2014. Accordingly, the stock options have been granted at ₹2,934.25 per option, being the latest available closing price of the shares of the Company on National Stock Exchange of India Limited, on February 19, 2021 being the previous trading day immediately preceding the date on which Grant of Options was approved by the Nomination & Remuneration Committee.

In terms of ESOS 2020, the options shall vest in three tranches. Each of these tranches consisting of 1/3 of the options granted shall vest on the completion of the 1st, 2nd and 3rd year from the date of the grant respectively. Any fractional residue shall be settled in the 3rd tranche. The options can be exercised over a period of five years from the date of respective vesting.

Under Employees Stock Option Scheme 2017 – Series II (ESOS 2017 – Series II), the Company had on January 17, 2018 granted 6,000 stock options at an exercise price of ₹7,936/- per option, representing 6,000 equity shares of ₹10/- each to few employees of the Company. The fair value of the Company's underlying equity share was determined in accordance with the pricing formula approved by the Nomination & Remuneration Committee i.e. based on the Price Earning Multiple method and the Assets Under Management (AUM) method.

In terms of ESOS 2017 – Series II, the options vest over a period of 1-2 years from the date of grant. The options can be exercised over a period of five years from the date of vesting.

Under Employees Stock Option Scheme 2017 – Series I (ESOS 2017 – Series I), the Company had on July 28, 2017 granted 1,58,875 stock options at an exercise price of ₹5,353/- per option, representing 1,58,875 equity shares of ₹10/- each to few employees & directors of the Company. The fair value of the Company's underlying equity share was determined in accordance with the pricing formula approved by the Nomination & Remuneration Committee i.e. based on the Price Earning Multiple method and the Assets Under Management (AUM) method.

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

In terms of ESOS 2017 – Series I, the options vest over a period of 1-2 years from the date of grant. The options can be exercised over a period of five years from the date of vesting.

Under Employees Stock Option Scheme 2015 – Series I (ESOS 2015 – Series I), the Company had on December 10, 2015 granted 10,00,000 stock options at an exercise price of ₹3,944/- per option, representing 10,00,000 equity shares of ₹10/- each to few employees & directors of the Company. The fair value of the Company's underlying equity share was determined in accordance with the pricing formula approved by the Nomination & Remuneration Committee i.e. based on the Price Earning Multiple method and the Assets Under Management (AUM) method.

In terms of ESOS 2015 – Series I, the options vest over a period of 1-2 years from the date of grant. The options can be exercised over a period of three years from the date of vesting

Pursuant to the terms of respective Employees Stock Option Schemes (ESOS), in case of a corporate action like bonus shares, rights issue, buyback of shares, split of shares, reduction of capital etc., the number of options outstanding as at the date of the corporate action and the exercise price under all the relevant ESOS shall stand modified accordingly, so as to ensure that the paid-up value of the total shares that can be issued under them remains unchanged. Accordingly, the Nomination and Remuneration Committee of the Company has resolved, vide its circular resolution passed in February 2018, to make appropriate adjustments to the outstanding options and now each option represents one equity share of ₹5/- each.

### Comparison of exercise price per option:

₹

| Name of the Series | Pre corporate action | Post corporate action |
|---|---|---|
| ESOS 2015 Series I | 3,944.00 | 493.00 |
| ESOS 2017 Series I | 5,353.00 | 669.13 |
| ESOS 2017 Series II | 7,936.00 | 992.00 |

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

The number of options vested during the year were 4,15,666 (Previous Year 3,54,999)

The number of options vested and forfeited/expired (after vesting) during the year were Nil (Previous Year Nil)

### Movement in the options under ESOS 2015:

| Particulars | No. of Options | |
|---|---|---|
| | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
| | ESOS 2015 | ESOS 2015 |
| | Series I | Series I |
| Outstanding at the beginning of the year* | Nil | 80,000 |
| Granted during the year* | Nil | Nil |
| Exercised during the year* | Nil | 80,000 |
| Forfeited during the year* | Nil | Nil |
| Outstanding at the end of the year* | Nil | Nil |
| Exercisable at the end of the year* | Nil | Nil |
| **For options outstanding at the end of the year:** | | |
| Exercise price per option (₹) | - | - |
| Weighted average remaining contractual life (no. of years) | - | - |





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

### Movement in the options under ESOS 2017:

| Particulars | No. of Options | | | |
|---|---|---|---|---|
| | For the year ended March 31, 2023 | | For the year ended March 31, 2022 | |
| | ESOS 2017 | | ESOS 2017 | |
| | Series I | Series II | Series I | Series II |
| Outstanding at the beginning of the year* | 2,05,648 | Nil | 4,17,098 | 32,900 |
| Granted during the year* | Nil | Nil | Nil | Nil |
| Exercised during the year* | 1,46,164 | Nil | 2,11,450 | 32,900 |
| Forfeited during the year* | Nil | Nil | Nil | Nil |
| Outstanding at the end of the year* | 59,484 | Nil | 2,05,648 | Nil |
| Exercisable at the end of the year* | 59,484 | Nil | 2,05,648 | Nil |
| **For options outstanding at the end of the year:** | | | | |
| Exercise price per option (₹) | 669.13 | - | 669.13 | - |
| Weighted average remaining contractual life (no. of years) | 0.33 | - | 1.32 | - |

### Movement in the options under ESOS 2020:

| Particulars | No. of Options | | | | |
|---|---|---|---|---|---|
| | For the year ended March 31, 2023 | For the year ended March 31, 2022 | For the year ended March 31, 2023 | For the year ended March 31, 2022 | For the year ended March 31, 2023 |
| | Grant Date February 22, 2021 | Grant Date February 22, 2021 | Grant Date January 24, 2022 | Grant Date January 24, 2022 | Grant Date July 21, 2022 |
| Outstanding at the beginning of the year* | 10,65,000 | 11,45,000 | 1,82,000 | Nil | Nil |
| Granted during the year* | Nil | Nil | Nil | 1,82,000 | 50,000 |
| Exercised during the year* | Nil | Nil | Nil | Nil | Nil |
| Forfeited during the year* | Nil | 80,000 | Nil | Nil | Nil |
| Outstanding at the end of the year* | 10,65,000 | 10,65,000 | 1,82,000 | 1,82,000 | 50,000 |
| Exercisable at the end of the year* | 7,09,998 | 3,54,999 | 60,667 | Nil | Nil |
| **For options outstanding at the end of the year:** | | | | | |
| Exercise price per option (₹) | 2,934.25 | 2,934.25 | 2,369.40 | 2,369.40 | 1,921.70 |
| Weighted average remaining contractual life (no. of years) | 4.90 | 5.90 | 5.82 | 6.82 | 6.31 |

* Since all the options were granted at the same exercise price per option under the respective Series/Grant, the weighted average exercise price per option for all these groups under the respective Series/Grant is the same.

**The weighted average share price for options exercised during the year under various Series'/Grants was ₹ 2,012 (Previous Year ₹ 2,687)**

### Fair value methodology

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

The key assumptions used in Black-Scholes model for calculating fair value under ESOS 2015 – Series I, ESOS 2017 – Series I, ESOS 2017 – Series II and ESOS 2020 as on the date of grant were:

| Particulars | ESOS 2015–Series I | ESOS 2017–Series I | ESOS 2017–Series II |
|---|---|---|---|
| Date of grant | December 10, 2015 | July 28, 2017 | January 17, 2018 |
| Risk-free interest rate | 7.18% p.a. | 6.66% p.a. | 6.97% p.a. |
| Expected average life | 2.5 Years | 3.5 Years | 3.5 Years |
| Expected volatility | 0% | 0% | 40.67% |
| Dividend yield | 1.77% p.a. | 1.86% p.a. | 1.86% p.a. |
| Fair value of the option | ₹478 | ₹777 | ₹2,726 |
| Fair value of the option after corporate action | ₹60 | ₹97 | ₹341 |

| Particulars | ESOS 2020 (Grant Date February 22, 2021) | ESOS 2020 (Grant Date January 24, 2022) | ESOS 2020 (Grant Date July 21, 2022) |
|---|---|---|---|
| Date of grant | February 22, 2021 | January 24, 2022 | July 21, 2022 |
| Risk-free interest rate | 5.04% - 5.66% p.a. | 5.34% - 5.98% p.a. | 6.74% - 6.96% p.a. |
| Expected average life | 3.5 - 5.5 Years | 3.5 - 5.5 Years | 3.5 - 5.5 Years |
| Expected volatility | 36.10% - 37.08% | 33.91% - 35.52% | 34.68% - 36.41% |
| Dividend yield | 0.84% p.a. | 0.92% p.a. | 1.18% p.a. |
| Weighted Average Fair value of the option | ₹1,053 | ₹826 | ₹700 |

Volatility is a measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of volatility used in the Black-Scholes Model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time.

As on the date of grant, in case of schemes ESOS 2015–Series I and ESOS 2017–Series I, the Company being an unlisted company and in the absence of listed comparable companies, volatility had been considered to be NIL.

As on the date of grant in case of ESOS 2017–Series II, the sector had only one listed stock which was listed during that year. The volatility derived from this stock had been annualised for the purpose of this valuation.

As on the date of grant in case of ESOS 2020 (Grant Date February 22, 2021, Grant Date January 24, 2022 and Grant Date July 21, 2022), the trading history of the Company and its comparable company(s) listed on the Stock exchange are less than the life of the option. Hence, Nifty Financial Services Index is also considered for deriving the volatility.

### Details of modifications in terms and conditions of ESOS:

No modifications were made in the terms and conditions of ESOS during the current year. The Nomination & Remuneration Committee at its meeting held on July 20, 2016 had approved few modifications, viz. change in nomenclature of Employees Stock Option Scheme 2015 (ESOS 2015) to Employees Stock Option Scheme 2015 – Series I (ESOS 2015 – Series I) and change in the period over which, the options granted under ESOS 2015 – Series I can be exercised from the date of their respective vesting.

By virtue of the said modifications, the options granted under ESOS 2015 – Series I can now be exercised over a period of five years from the date of respective vesting. There was no change in any other parameters of the scheme.

The options thus modified have been fair valued as at July 20, 2016, being the modification date. The key assumptions considered in the pricing model for calculating fair value under ESOS 2015 – Series I as on the date of modification were:





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

| Particulars | ESOS 2015 – Series I | |
|---|---|---|
| | Original Terms | Modified Terms |
| Risk-free interest rate | 6.60% p.a. | 6.70% p.a. |
| Expected average life | 1.89 Years | 2.89 Years |
| Expected volatility | 0% | 0% |
| Dividend yield | 1.80% p.a. | 1.80% p.a. |
| Fair value of the option | ₹511 | ₹672 |
| Fair value of the option after corporate action | ₹64 | ₹84 |

The incremental share-based compensation determined under fair value method amounts to ₹161 (₹20 post corporate action) per option under ESOS 2015 – Series I. The incremental fair value granted is taken into consideration for the purpose of computing the net income and earnings per equity share.

## Note 25 Tax expense

### Components of Income Tax Expense

#### (a) Amounts recognised in the Standalone Statement of Profit and Loss

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| **Current income tax** | **421.26** | 418.96 |
| | **421.26** | **418.96** |
| **Deferred tax (Income)/expense** | | |
| Origination and reversal of temporary differences | **25.43** | 43.20 |
| | **25.43** | **43.20** |
| **Income Tax expense for the year** | **446.69** | **462.16** |

#### (b) Tax on amounts recognised in Standalone Other Comprehensive Income

₹ (in Crore)

| Particulars | Tax (expense)/benefit | |
|---|---|---|
| | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
| Remeasurement of the defined benefit plans | **(0.14)** | (0.17) |
| **Total** | **(0.14)** | **(0.17)** |

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

### (c) Reconciliation of Effective Tax Rate

₹ (in Crore)

| Reconciliation between the statutory Income tax rate applicable to the Company and the effective Income tax rate of the Company | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| **Profit before tax** | 1,870.61 | 1,855.29 |
| Company's domestic tax rate | 25.17% | 25.17% |
| Tax using the Company's domestic tax rate | 470.80 | 466.94 |
| **Tax effect of/on:** | | |
| Net expenses that are not deductible in determining taxable profit | 17.97 | 23.52 |
| Items which are taxed at different rates | (34.83) | (20.76) |
| Incomes which are exempt from tax | (7.22) | (7.80) |
| Others | (0.03) | 0.26 |
| **Total** | **(24.11)** | **(4.78)** |
| **Income Tax expense for the year** | **446.69** | **462.16** |

### (d) Effective Tax Rate

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| Effective Tax Rate (%) | 23.88 | 24.91 |

### (e) Significant components and movement in deferred tax assets and liabilities:

₹ (in Crore)

| Particulars | As at April 01, 2022 | Expense/(Income) recognised | As at March 31, 2023 |
|---|---|---|---|
| **Deferred Tax Assets** | | | |
| - Property, Plant and Equipment & Other Intangible Assets (excluding ROU) | 9.57 | (1.42) | 10.99 |
| - Lease Liabilities | 27.59 | (5.24) | 32.83 |
| - Provision for Employee Benefits | 2.96 | (0.20) | 3.16 |
| - Others | 1.27 | (0.05) | 1.32 |
| **Total Deferred Tax Assets** | **41.39** | **(6.91)** | **48.30** |
| **Deferred Tax Liabilities** | | | |
| - Right Of Use Asset | 24.71 | 4.92 | 29.63 |
| - Prepaid Employee Benefits | 2.06 | (0.93) | 1.13 |
| - Fair value gains/losses and impairment on Investments | 88.66 | 27.24 | 115.90 |
| - Others | 1.30 | 1.11 | 2.41 |
| **Total Deferred Tax Liabilities** | **116.73** | **32.34** | **149.07** |
| **Net Deferred Tax Assets/(Liabilities)** | **(75.34)** | **25.43** | **(100.77)** |





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

₹ (in Crore)

| Particulars | As at April 01, 2021 | Expense/(Income) recognised | As at March 31, 2022 |
|---|---|---|---|
| **Deferred Tax Assets** | | | |
| - Property, Plant and Equipment & Other Intangible Assets (excluding ROU) | 8.26 | (1.31) | 9.57 |
| - Lease Liabilities | 30.09 | 2.50 | 27.59 |
| - Provision for Employee Benefits | 1.98 | (0.98) | 2.96 |
| - Others | 1.24 | (0.03) | 1.27 |
| **Total Deferred Tax Assets** | **41.57** | **0.18** | **41.39** |
| **Deferred Tax Liabilities** | | | |
| - Right Of Use Asset | 27.36 | (2.65) | 24.71 |
| - Prepaid Employee Benefits | 3.01 | (0.95) | 2.06 |
| - Fair value gains/losses and impairment on Investments | 42.74 | 45.91 | 88.66 |
| - Others | 0.59 | 0.71 | 1.30 |
| **Total Deferred Tax Liabilities** | **73.70** | **43.02** | **116.73** |
| **Net Deferred Tax Assets/(Liabilities)** | **(32.13)** | **43.20** | **(75.34)** |

**Note:** The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Significant management judgement is required in determining provision for income tax, deferred tax assets and liabilities and recoverability of deferred tax assets. The recoverability of deferred tax assets is based on estimates of taxable income and the period over which deferred tax assets will be recovered. Any changes in future taxable income would impact the recoverability of deferred tax assets.

## Note 26 Related Party Transactions

As per the Indian Accounting Standard on 'Related Party Disclosures' (Ind AS 24), the related parties of the Company with whom there have been transactions during the current/previous year, are as follows:

| Sr. No. | Relationship | Name of the Parties |
|---|---|---|
| 1 | Holding Company | Housing Development Finance Corporation Limited |
| 2 | Subsidiary Company | HDFC AMC International (IFSC) Limited |
| 3 | Fellow Subsidiaries | HDFC Trustee Company Limited |
| | | HDFC Life Insurance Company Limited |
| | | HDFC ERGO General Insurance Company Limited |
| 4 | Investor with a significant influence | Abrdn Investment Management Limited (formerly known as Standard Life Investments Limited) |
| 5 | Other Related Parties | HDFC Bank Limited |
| | | HDFC Securities Limited |
| | | HDFC Asset Management Company Limited Employees' Group Gratuity Assurance Scheme |

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

| Sr. No. | Relationship | Name of the Parties |
|---|---|---|
| 6 | Key Managerial Personnel (KMP) | Deepak S Parekh |
| | | Navneet Munot |
| | | Keki Mistry |
| | | Dhruv Kaji |
| | | Jairaj Purandare |
| | | Sanjay Bhandarkar |
| | | Parag Shah |
| | | Renu S Karnad |
| | | Roshni Nadar Malhotra |
| | | Shashi Kant Sharma (up to April 11, 2022) |
| 7 | Key Managerial Personnel of Holding Company (except covered in Sr No. 6) | V Srinivasa Rangan |
| 8 | Relatives of Company's Key Managerial Personnel and Holding Company's Key Managerial Personnel | Smita Deepak Parekh |
| | | Aditya Deepak Parekh |
| | | Harsha Shantilal Parekh |
| | | Arnaaz Keki Mistry |
| | | Bharat Karnad |
| | | Ashok Sud |
| | | V Jayam |
| | | S Anuradha |
| | | Abinaya Rangan |
| | | Malav Ashwin Dani |





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

The nature and volume of transactions of the Company during the current/previous year with the above related parties were as follows:

## (a) Details of transactions

₹ (in Crore)

| Particulars | Holding Company | | Subsidiary Company | | Fellow Subsidiaries | | Investor with a Significant Influence | | Other Related Parties | |
|---|---|---|---|---|---|---|---|---|---|---|
| | March 31, 2023 | March 31, 2022 | March 31, 2023 | March 31, 2022 | March 31, 2023 | March 31, 2022 | March 31, 2023 | March 31, 2022 | March 31, 2023 | March 31, 2022 |
| **Expense** | | | | | | | | | | |
| Lease Rent | 11.98 | 11.98 | - | - | - | - | - | - | - | - |
| Bank Charges | - | - | - | - | - | 0.00 | - | - | 0.01 | 0.01 |
| Fees and Commission | - | - | - | - | - | - | - | - | 0.05 | 0.06 |
| Technology Support Cost | 1.90 | 2.12 | - | - | - | - | - | - | - | - |
| Administration & Other Expenses | 6.28 | 1.98 | - | - | - | 0.04 | - | - | - | - |
| Insurance Premium | - | - | - | - | 3.29 | 2.74 | - | - | - | - |
| Custodian Charges | - | - | - | - | - | - | - | - | 0.03 | 0.09 |
| **Other Transactions** | | | | | | | | | | |
| Equity Dividend | 471.16 | 381.41 | - | - | - | - | 145.23 | 153.78 | - | - |
| Investments made | - | - | 3.00 | - | - | - | - | - | - | - |
| Contribution towards Gratuity Fund | - | - | - | - | - | - | - | - | 3.37 | 4.88 |
| **Asset** | | | | | | | | | | |
| Bank Balances | - | - | - | - | - | - | - | - | 3.76 | 7.82 |
| Account Receivable | - | - | 1.35 | - | 2.71 | 2.61 | 0.84 | - | - | - |
| Prepaid Commission | - | - | - | - | - | - | - | - | 1.26 | 0.00 |
| Prepaid Insurance Premium | - | - | - | - | 0.03 | 0.06 | - | - | - | - |
| Investment in subsidiary | - | - | 3.00 | - | - | - | - | - | - | - |
| **Liability** | | | | | | | | | | |
| Account Payable | 6.60 | 0.93 | - | - | - | 0.03 | - | - | 0.31 | 0.10 |

**Notes:**

(i) During the FY 2019-20, HDFC AMC has entered into an agreement with Holding company for using the Trademark of Holding company wherein no monetary consideration is required to be paid as part of mutual consideration. The said agreement does not envisage a specific sum of monies to be paid as fees at present, which is consistent with the practice followed for the previous 20 years, based on the reciprocity of benefits to both parties to the transaction.

(ii) The Company provides the necessary operating and secretarial services, etc. to HDFC Trustee Company Limited to meet the operating and compliance requirements of the Company in line with SEBI (Mutual Funds) Regulations, 1996. The Company does not charge any amount in line with practice followed by the mutual fund industry.

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

### (b) Details of remuneration to Company's KMPs

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| Short-term employee benefits# | 11.61 | 11.63 |
| Post employment benefits | 0.26 | 0.26 |
| Other long-term benefits | 0.07 | 0.07 |
| Share-based payment | 23.04 | 46.74 |
| Other Benefits | 0.05 | 0.03 |
| Directors Sitting Fees | 1.16 | 1.43 |
| Commission to Non-executive Directors* | 2.00 | 1.80 |
| **Total Remuneration** | **38.19** | **61.96** |

# During the FY 20-21, an amount of ₹12.46 Crore was paid to the incoming Managing Director as one time payment and the same is being amortised as per the terms of the contract. Out of the same, ₹4.15 Crore (Previous Year ₹4.15 Crore) forms part of Short-term employee benefits above and the balance unamortised amount of ₹3.66 Crore (Previous Year ₹7.81 Crore) as at March 31, 2023 is booked as prepaid under Other Non-Financial Assets.

* Commission is approved by the Board of Directors within the limit as approved by the shareholders of the Company and will be paid post adoption of annual accounts by the shareholders.

### (c) Details of dividend paid to Company's KMPs

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| Dividend on Equity Shares | 2.08 | 1.69 |

### (d) Details of dividend paid to relatives of Company's KMPs, Holding Company's KMPs and relatives of Holding Company's KMPs

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| Dividend on Equity Shares | 0.01 | 0.01 |

## Note 27 Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing the profit after tax for the year attributable to equity shareholders of company by the weighted average number of equity shares outstanding during the year.

Diluted EPS is calculated by dividing the profit after tax for the year attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The relevant details as described above are as follows:

₹ (in Crore except equity share data)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| Profit after tax for the year | 1,423.92 | 1,393.13 |
| Weighted Average equity shares outstanding during the year | 21,33,25,802 | 21,31,32,019 |





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

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

₹

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| Nominal value per share | 5.00 | 5.00 |
| Basic earnings per share | 66.75 | 65.36 |
| Effect of potential equity shares for stock options (per share) | (0.02) | (0.05) |
| Diluted earnings per share | 66.73 | 65.31 |

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| Weighted average number of equity shares used in computing basic earnings per equity share | 21,33,25,802 | 21,31,32,019 |
| Effect of potential equity shares for stock options outstanding | 39,341 | 1,54,673 |
| Weighted average number of equity shares used in computing diluted earnings per equity share | 21,33,65,143 | 21,32,86,692 |
| Weighted average number of anti dilutive options not considered in computing diluted earnings per equity share | 6,49,167 | 2,80,446 |

## Note 28 Leases

**A.** The Company has entered into leasing arrangements for premises. Majority of the leases are cancellable by the Company. Right of Use asset has been included under the line 'Property, Plant and Equipment' and Lease liability has been included under 'Other Financial Liabilities' in the Standalone Balance Sheet.

### (i) Amounts recognised in the Standalone Balance sheet

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| (a) Right of Use assets (net) (Property, Plant and Equipment) | 117.71 | 98.16 |
| (b) Lease liabilities | | |
| Current | 34.80 | 24.19 |
| Non-current | 95.67 | 85.43 |
| **Total Lease liabilities** | **130.47** | **109.62** |

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| (c) Additions to the Right of Use assets | 60.42 | 25.18 |

### (ii) Amounts recognised in the Standalone Statement of Profit and Loss

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| (a) Depreciation charge for Right of Use assets | 36.90 | 35.25 |
| (b) Interest expense (included in finance cost) | 9.69 | 8.64 |
| (c) Expense relating to short-term leases | 0.38 | 0.35 |

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

### (iii) Cash Flows

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| The total cash outflow of leases | 43.82 | 42.46 |

### (iv) Future Commitments

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Future undiscounted lease payments to which leases is not yet commenced | - | 3.16 |

### (v) Maturity analysis of undiscounted lease liability

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Less than 1 year | 43.11 | 31.55 |
| More than 1 year | 111.64 | 101.21 |
| **Total** | **154.75** | **132.76** |

**(vi)** All the future cash flows to which the lessee is potentially exposed are reflected in the measurement of lease liabilities.

**(vii)** The Company currently does not have any significant sale and lease back transactions.

### B. Finance Lease

### (i) The Company has provided vehicles to its certain employees which have been treated as finance leases.

₹ (in Crore)

| Quantitative Disclosures | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| Selling profit/(loss) | (0.01) | (0.02) |
| Finance income on the net investment in the lease | 0.53 | 0.20 |
| Lease income relating to variable lease payments not included in the measurement of the net investment in the lease | - | - |

### (ii) Significant changes in the carrying amount of the net investment in the lease

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| Lease receivables as at the beginning of the year | 4.05 | 1.58 |
| Add: Finance income on the net investment in the lease | 0.53 | 0.20 |
| Add: New leases entered during the year | 4.96 | 3.60 |
| Less: Lease payments received during the year | 2.59 | 1.33 |
| **Lease receivables as at the end of the year** | **6.95** | **4.05** |





Notes to Standalone Financial Statements

for the year ended March 31, 2023

### (iii) The following table sets out a maturity analysis of lease receivables

₹ (in Crore)

| Maturity Analysis of the Lease payments Receivables | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Particulars | Minimum Lease payments receivables | Minimum Lease payments receivables |
| Less than one year | 2.71 | 1.46 |
| One to two years | 2.56 | 1.36 |
| Two to three years | 2.08 | 1.19 |
| Three to four years | 0.56 | 0.67 |
| Four to five years | - | - |
| More than five years | - | - |
| **Total undiscounted lease payments receivable** | **7.91** | **4.68** |
| Less: unearned finance income | 0.96 | 0.63 |
| **Present value of lease receivables *** | **6.95** | **4.05** |

* Present Value of Rentals represent the Current Future Outstanding Principal

### (iv) Risk Management Framework for finance leases

The table represents categories of collaterals available against the finance lease exposures:

₹ (in Crore)

| Particulars | Collateral available | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|---|
| Finance lease receivables | Hypothecation of the underlying car financed | 6.95 | 4.05 |

The Company has framed Car Policy to provide use of the Company owned car for the commute from residence to workplace, for the discharge of their official functions and for personal use to certain selected employees of the Company. As per the Car Policy of the Company, the car is registered in the name of the Company and will remain the property of the Company till it is duly transferred to employee in accordance with the Car Policy and after recovery of all lease receivables. In case of separation of employee from the Company, outstanding lease receivables are recovered/adjusted from employee's full and final settlement in accordance with the Car Policy.

## Note 29 Segment Information

### (a) Description of segments and principal activities

The Company is in the business of providing asset management services to HDFC Mutual Fund & alternative investment fund and portfolio management & advisory services to clients. The primary segment is identified as asset management services. As such, the Company's financial statements are largely reflective of the asset management business and accordingly there are no separate reportable segments as per Ind AS 108, Operating Segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM's function is to allocate the resources of the entity and assess the performance of the operating segment of the Company.

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

**(b) Segment Revenue**

The amount of its revenue from external customers broken down by location of the customers is shown in the table below:

₹ (in Crore)

| Revenue | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| Within India | 2,163.50 | 2,105.77 |
| Outside India | 3.31 | 9.59 |
| **Total** | **2,166.81** | **2,115.36** |

**(c)** All assets of the Company are domiciled in India.

**(d) Information about revenue from major customers**

There is only one customer contributing in excess of 10% of the total revenue of the Company. The amounts for the same are as follows:

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| Revenue from HDFC Mutual Fund | 2,160.79 | 2,103.24 |

## Note 30 Contingent Liabilities and Commitments

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| (a) Contingent liabilities not provided for: | | |
| Disputed Income Tax demand | 7.54 | 7.90 |
| (b) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | 53.42 | 59.86 |

## Note 31 Trade Payables

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

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Principal amount remaining unpaid to any supplier as at the year end | Nil | Nil |
| Interest due thereon | Nil | Nil |
| Amount of interest paid by the Company in terms of Section 16 of the MSMEDA, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year | Nil | Nil |
| Amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMEDA | Nil | Nil |
| Amount of interest accrued and remaining unpaid at the end of the accounting year | Nil | Nil |

Dues to Micro, Small and Medium Enterprises have been determined on the basis of information collected by the Company.





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

## Note 32 Corporate Social Responsibility (CSR) Expense

The gross amount required to be spent by the Company during the year towards Corporate Social Responsibility as per Section 135(5) of the Companies Act, 2013 is as follows:

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| (i) Gross amount required to be spent by the Company during the year | 31.68 | 30.10 |
| (ii) Amount to be set off out of Pre-Spent balance (as approved by the Board of Directors) | - | 1.07 |
| (iii) Amount approved by the Board to be spent during the year | 31.68 | 29.03 |

**(iv) Amount spent**

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| Amount spent during the year on construction/acquisition of any asset | - | - |
| Amount spent during the year on purposes other than construction/acquisition of any asset and charged to the Standalone Statement of Profit and Loss* | 31.68 | 30.10 |
| *Includes ₹Nil (Previous Year ₹5.24 Crore) accrued towards Ongoing CSR Projects as well as ₹Nil (Previous Year ₹1.07 Crore) adjusted from CSR Pre-Spent balance | | |
| **Total** | **31.68** | **30.10** |

**(v) Details of CSR Activities for the financial year ended March 31, 2023**

**Details of Other than Ongoing CSR Projects**

| Organisation | Purpose |
|---|---|
| Cancer Cure Fund - Indian Cancer Society | To promote healthcare by providing financial aid to underprivileged and low-income patients diagnosed with any curable/ early detected cancers through the empaneled hospitals. |
| Indian Cancer Society – AKITF | To promote healthcare by providing financial aid to underprivileged and low-income patients who are unable to afford the initial costs of diagnosis and or treatment for cancer through the empaneled hospitals. |
| Dharamshala Project | To promote healthcare by providing support to the Dharmashala Project for affordable accommodation to out- station cancer patients and their families through the Rotary Club of Bombay. |
| Pericia Healthcare | To promote healthcare by providing financial aid to up-skill doctors, nurses and healthcare workers by imparting technical knowledge regarding use of healthcare equipment. |
| Ashoka University | To promote education by providing part support towards the expansion of Ashoka University. |
| Sampark Foundation | To promote education by providing support to improve the learning outcomes of children in 4,000+ schools and training of teachers across four aspirational districts of Maharashtra through distribution of learning kits. |
| Bombay Scottish Orphanage Society | To provide financial support towards the restoration and refurbishment of the Heritage Site of The Bombay Scottish Orphanage Society. |
| Parivaar Seva Kutirs in Madhya Pradesh | To eradicate malnutrition and promote education for children by establishing Seva Kutirs in the villages of Madhya Pradesh. The Funds would be utilised towards the operation of 60 Seva Kutirs. |
| Rotary Club of Bombay – Urban Forest Project (Biodiversity Park) | To promote environmental sustainability and ecological balance through Urban Forest using Akira Miyawaki technique and rejuvenating the water body part of the project site. |
| Olympic Gold Quest | To promote sports by providing training to nationally recognised Paralympic and Olympic sports. |

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

## (vi) Details of CSR Activities for the financial year ended March 31, 2022

### a) Details of Ongoing CSR Projects

| Organisation | Purpose |
|---|---|
| Indian Cancer Society (for Indian Cancer Cure Fund Project) | To promote healthcare by providing financial aid for treatment of underprivileged and low income patients diagnosed with any curable/early detected cancers through the empanelled hospitals |
| Deepshikha | To promote healthcare by providing financial aid towards operations of buses for cancer patients |
| Rotary Club of Bombay - Urban Forest Project | To promote environmental sustainability and ecological balance through Urban Forest using Akira Miyawaki technique and rejuvenating the water body part of the project site |

### b) Details of Other than Ongoing CSR Projects

| Organisation | Purpose |
|---|---|
| Head and Neck Cancer Institute of India | To promote healthcare by providing financial aid for the setup of Head and Neck Cancer Institute in Byculla, Mumbai |
| Doctors For You | To promote health care including preventive health care by providing financial aid for vaccination camps |
| Aroehan | To promote environmental sustainability by creating water structures that will enhance the water storage capacity in Palghar district |
| Rotary Club of Bombay - Water Lifting at Palghar | To promote environmental sustainability by providing water availability in Palghar district that is plagued with extreme water scarcity. |
| Olympic Gold Quest | To promote sports by providing training to nationally recognised paralympic and olympic sports |
| Ashoka University | To promote education by supporting the construction of infrastructure such as building lecture theatres |
| Parivaar Seva Kutirs in Madhya Pradesh | To eradicate malnutrition and promote education for children by establishing Seva Kutirs in the villages of Madhya Pradesh. The Funds would be utilised towards the operation of 60 Seva Kutirs |
| Snehalaya | To promote education by supporting a educational programme for underprivileged children |
| Muktangan | To promote education by supporting a holistic educational programme designed for children through community participation |
| Sampark Foundation | To improve education in schools and to make the learning process enjoyable and easy. It is the goal of this strategic partnership to solve this unsolved problem in the state of Jharkhand in classes 1 to 5 over the years. |





Notes to Standalone Financial Statements

for the year ended March 31, 2023

## (vii) Contribution for CSR

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| **Opening Balance:** | | |
| - With Company | **5.24** | 16.23 |
| - In Separate CSR Unspent A/c | **5.50** | - |
| **Amount Transferred in Separate CSR Unspent A/c during the year** | | |
| - From balance with the Company | **5.24** | 16.23 |
| - From CSR Pre-Spent balance | **-** | 1.07 |
| - To Separate CSR Unspent A/c | **5.24** | **17.30** |
| Amount required to be spent during the year as per Section 135 (5) of the Companies Act, 2013 | **31.68** | 30.10 |
| **Amount spent during the year:** | | |
| - From Company's bank A/c | **31.68** | 23.79 |
| - From Separate CSR Unspent A/c | **10.74** | 11.80 |
| **Closing Balance:** | | |
| - With Company | **-** | 5.24 |
| - In Separate CSR Unspent A/c | **-** | 5.50 |

## (viii) Excess amount spent

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| Opening Balance | **-** | 1.07 |
| Amount required to be spent during the year | **31.68** | 30.10 |
| Amount Adjusted from CSR Pre-Spent balance | **-** | 1.07 |
| Amount spent during the year (net of adjustment from Pre-Spent balance) | **31.68** | 29.03 |
| Closing Balance | **-** | - |

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

## Note 33 Dividend Paid and Proposed

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| **Dividends on equity shares declared and paid during the year:** | | |
| Final dividend | | |
| Paid for the earlier financial year | 895.86 | 724.43 |
| Dividend per share for the earlier financial year (₹) | 42.00 | 34.00 |
| **Total dividend paid** | **895.86** | **724.43** |
| **Dividend on Equity Shares proposed by the Board of Directors for approval at Annual General Meeting (not recognised as a liability at the respective year end)** | | |
| Final dividend for the same financial year | 1,024.44 | 895.77 |
| Dividend per share for the same financial year (₹) | 48.00 | 42.00 |

## Note 34 Capital Management

Equity share capital and other equity are considered for the purpose of Company's capital management. The Company manages its capital in a manner which enables it to safeguard its ability to continue as a going concern and to optimise returns to the Shareholders. The capital structure of the Company is based on management's judgement of its strategic and day-to-day needs with a focus on total equity so as to maintain investor, creditors and market confidence. The funding requirements are met through operating cash flows and other equity. The management monitors the return on capital and the board of directors monitors the level of dividends paid to shareholders of the Company. The Company may take appropriate steps in order to maintain, or if necessary adjust, its capital structure.





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

## Note 35 Financial Instruments

**A. Classification and Fair Values of Financial Assets & Liabilities**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

₹ (in Crore)

| Particulars | Carrying Amount | | | Fair Value | | | |
|---|---|---|---|---|---|---|---|
| **As at March 31, 2023** | **FVTPL** | **Amortised Cost** | **Total Carrying amount** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial Assets** | | | | | | | |
| Investments in:- # | | | | | | | |
| Mutual Funds | 5,476.86 | - | 5,476.86 | 5,326.88 | 149.98 | - | 5,476.86 |
| Debt Securities | 7.41 | 417.94 | 425.35 | - | 440.71 | 7.41 | 448.12 |
| Equity Instrument in Others | 23.18 | - | 23.18 | - | - | 23.18 | 23.18 |
| Investment in Alternative Investment Funds | 127.57 | - | 127.57 | - | - | 127.57 | 127.57 |
| Investment in Venture Capital Fund | 23.20 | - | 23.20 | - | - | 23.20 | 23.20 |
| Trade & Other Receivables* | - | 196.33 | 196.33 | | | | 196.33 |
| Cash and Cash Equivalents* | - | 3.12 | 3.12 | | | | 3.12 |
| Other Bank Balances* | - | 0.89 | 0.89 | | | | 0.89 |
| Other Financial Asset* | - | 31.18 | 31.18 | | | | 31.18 |
| **Total** | **5,658.22** | **649.46** | **6,307.68** | **5,326.88** | **590.69** | **181.36** | **6,330.45** |
| **Financial Liabilities** | | | | | | | |
| Trade Payables* | - | 35.60 | 35.60 | | | | 35.60 |
| **Other Financial Liabilities** | | | | | | | |
| Lease Liabilities | - | 130.47 | 130.47 | - | 129.76 | - | 129.76 |
| Others* | - | 75.79 | 75.79 | | | | 75.79 |
| **Total Other Financial Liabilities** | - | **206.26** | **206.26** | - | **129.76** | - | **205.55** |
| **Total** | - | **241.86** | **241.86** | - | **129.76** | - | **241.15** |

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

₹ (in Crore)

| Particulars | Carrying Amount | | | Fair Value | | | |
|---|---|---|---|---|---|---|---|
| As at March 31, 2022 | FVTPL | Amortised Cost | Total Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| **Financial Assets** | | | | | | | |
| Investments in:- # | | | | | | | |
| Mutual Funds | 4,938.66 | - | 4,938.66 | 4,758.57 | 180.09 | - | 4,938.66 |
| Debt Securities | 6.98 | 462.93 | 469.91 | - | 512.67 | 6.98 | 519.65 |
| Equity Instrument in Others | 22.85 | - | 22.85 | - | - | 22.85 | 22.85 |
| Investment in Alternative Investment Funds | 115.70 | - | 115.70 | - | - | 115.70 | 115.70 |
| Investment in Venture Capital Fund | 23.11 | - | 23.11 | - | - | 23.11 | 23.11 |
| Trade & Other Receivables* | - | 80.52 | 80.52 | | | | 80.52 |
| Cash and Cash Equivalents* | - | 1.87 | 1.87 | | | | 1.87 |
| Other Bank Balances* | - | 6.20 | 6.20 | | | | 6.20 |
| Other Financial Asset* | - | 25.20 | 25.20 | | | | 25.20 |
| **Total** | **5,107.30** | **576.72** | **5,684.02** | **4,758.57** | **692.76** | **168.64** | **5,733.76** |
| **Financial Liabilities** | | | | | | | |
| Trade Payables* | - | 29.24 | 29.24 | | | | 29.24 |
| **Other Financial Liabilities** | | | | | | | |
| Lease Liabilities | - | 109.62 | 109.62 | - | 111.59 | - | 111.59 |
| Others* | - | 80.02 | 80.02 | | | | 80.02 |
| **Total Other Financial Liabilities** | **-** | **189.64** | **189.64** | **-** | **111.59** | **-** | **191.61** |
| **Total** | **-** | **218.88** | **218.88** | **-** | **111.59** | **-** | **220.85** |

# Investment in subsidiary which are carried at cost have not been included above.

*Fair value of cash and cash equivalents, other bank balances, trade & other receivables, other financial assets, trade payables and other financial liabilities approximate their carrying amounts largely due to current maturities of these instruments. Accordingly, fair value hierarchy for these financial instruments have not been presented above.

For the purpose of disclosure, quoted price is considered as the fair value of financial assets that are measured at amortised cost. However, they are shown under level 2 in the fair value hierarchy as they are thinly traded.





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

## B. Fair value hierarchy

As per Ind AS 107, 'Financial Instruments: Disclosures', the fair values of the financial assets or financial liabilities are defined as the price that would be received on sale of asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and lowest priority to unobservable inputs.

The hierarchy used is as follows:

**Level 1 —** Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Investment in open ended Mutual Funds are included in Level 1.

**Level 2 —** Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Investment in close ended Mutual Funds and Debt Securities that are not traded in active market are included in Level 2.

**Level 3 —** Inputs are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Investment in unlisted Debt Securities, unlisted Equity Instruments, Alternative Investment Funds and Venture Capital Fund are included in Level 3.

## C. Valuation techniques used to determine fair value

| Financial instrument | Valuation technique |
|---|---|
| Mutual Funds | Net Asset Value (NAV) declared by the mutual fund at which units are issued or redeemed/quoted price |
| Debt Securities | Discounted cash flow based on present value of the expected future economic benefit |
| Equity Instruments in Others | Discounted cash flow based on present value of the expected future economic benefit and/or price of recent investment |
| Alternative Investment Funds and Venture Capital Fund | Net Asset Value (NAV) provided by issuer fund which is arrived at based on valuation from independent valuer for unlisted portfolio companies, quoted price of listed portfolio companies and price of recent investments |
| Lease Liabilities | Discounted cash flows based on present value of expected payments, discounted using a risk-adjusted discount rate |

In order to assess Level 3 valuations as per Company's investment policy, the management reviews the performance of the investee companies (including unlisted portfolio companies of venture capital funds and alternative investment funds) on a regular basis by tracking their latest available financial statements/financial information, valuation report of independent valuers, recent transaction results etc. which are considered in valuation process.

The finance department of the Company includes the team that performs the valuation of financial assets and liabilities required for financial reporting purposes, including level 3 fair value. The team reports directly to the Chief Financial Officer (CFO) of the Company. Discussions of valuation processes and results are held between the valuation team and the senior management at least once every three months which is in line with the Company's quarterly reporting periods.

## D. Valuation inputs and relationship to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurement.

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

### As at March 31, 2023

| Financial Instrument | Significant unobservable inputs | Probability weights/range | Sensitivity of input to fair value measurement |
|---|---|---|---|
| Debt Securities | Valuation Factor | 10% - 20% | A 10% increase in the valuation factor would decrease the carrying value of investment by ₹0.74 Crore. A 10% decrease in the valuation factor would increase the carrying value of investment by ₹0.74 Crore. |
| Alternative Investment Funds | Net Asset Value (NAV) | 0.90x -1.10x | A 10% increase in the NAV would increase the carrying value of investment by ₹12.51 Crore. A 10% decrease in the NAV would decrease the carrying value of investment by ₹12.51 Crore. |
| Venture Capital Fund | Net Asset Value (NAV) | 0.90x -1.10x | A 10% increase in the NAV would increase the carrying value of investment by ₹2.32 Crore. A 10% decrease in the NAV would decrease the carrying value of investment by ₹2.32 Crore. |

### As at March 31, 2022

| Financial Instrument | Significant unobservable inputs | Probability weights/range | Sensitivity of input to fair value measurement |
|---|---|---|---|
| Debt Securities | Valuation Factor | 10% - 20% | A 10% increase in the valuation factor would decrease the carrying value of investment by ₹0.70 Crore. A 10% decrease in the valuation factor would increase the carrying value of investment by ₹0.70 Crore. |
| Alternative Investment Funds | Net Asset Value (NAV) | 0.90x -1.10x | A 10% increase in the NAV would increase the carrying value of investment by ₹10.03 Crore. A 10% decrease in the NAV would decrease the carrying value of investment by ₹10.03 Crore. |
| Venture Capital Fund | Net Asset Value (NAV) | 0.90x -1.10x | A 10% increase in the NAV would increase the carrying value of investment by ₹2.31 Crore. A 10% decrease in the NAV would decrease the carrying value of investment by ₹2.31 Crore. |

### E. Fair value measurement using significant unobservable inputs (level 3)

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

₹ (in Crore)

| Particulars | Debt Securities | Equity Instrument in Others | Investment in Alternative Investment Funds | Investment in Venture Capital Fund | Total |
|---|---|---|---|---|---|
| **Balance as at April 01, 2021** | **6.40** | **0.63** | **61.43** | **10.64** | **79.10** |
| Net gain/(losses) on Financial Instruments recognised in the Standalone Statement of Profit and Loss | 0.58 | 0.05 | 49.97 | 12.47 | 63.07 |
| Purchases of Financial Instruments | - | 22.17 | 17.25 | - | 39.42 |
| Sales of Financial Instruments | - | - | (12.95) | - | (12.95) |
| **Balance as at March 31, 2022** | **6.98** | **22.85** | **115.70** | **23.11** | **168.64** |
| Net gain/(losses) on Financial Instruments recognised in the Standalone Statement of Profit and Loss | **0.43** | **-** | **10.80** | **1.58** | **12.81** |
| Purchases of Financial Instruments | **-** | **0.33** | **9.14** | **-** | **9.47** |
| Sales of Financial Instruments | **-** | **-** | **(8.07)** | **(1.49)** | **(9.56)** |
| **Balance as at March 31, 2023** | **7.41** | **23.18** | **127.57** | **23.20** | **181.36** |





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

### F. Financial Risk Management

Risk management is an integral part of the business practices of the Company. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimise potential adverse effects on its financial performance. The financial risks are managed in accordance with the Company's risk management policy which has been approved by its Board of Directors. The Company's Board of Directors has overall responsibility for managing the risk profile of the Company. The purpose of risk management is to identify potential problems before they occur, so that risk-handling activities may be planned and invoked as needed to manage adverse impacts on achieving objectives.

The Audit Committee of the Company reviews the development and implementation of the risk management policy of the Company on periodic basis. The Audit Committee provides guidance on the risk management activities, review the results of the risk management process and reports to the Board of Directors on the status of the risk management initiatives.

The Company has exposure to the following risks arising from Financial Instruments:

| Risk | Exposure arising from |
|---|---|
| Credit Risk | Cash and cash equivalents, other bank balances, trade & other receivables, financial assets measured at amortised cost |
| Liquidity Risk | Financial liabilities |
| Market Risk – Foreign Exchange | Recognised financial assets not denominated in ₹ |
| Market Risk – Interest Rate | Investments in debt securities |
| Market Risk – Price | Investments in equity securities, units of mutual funds, debt securities measured at FVTPL, venture capital fund and alternative investment funds |

### i. Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade and other receivables, cash and cash equivalents, and financial assets measured at amortised cost.

Exposure to credit risk is mitigated through regular monitoring of collections, counterparty's creditworthiness and diversification in exposure.

#### Exposure to credit risk

The carrying amount of financial assets represents maximum amount of credit exposure. The maximum exposure to credit risk is as per the table below, it being total of carrying amount of cash and cash equivalent, other bank balances, trade and other receivables and financial assets measured at amortised cost.

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Maximum exposure to credit risk | 649.46 | 576.72 |

#### Expected Credit Loss (ECL) on Financial Assets

The Company continuously monitors all financial assets subject to ECLs. In order to determine whether an instrument is subject to 12 month ECL (12mECL) or life time ECL (LTECL), the Company assesses whether there has been a significant increase in credit risk or the asset has become credit impaired since initial recognition. The Company applies following quantitative and qualitative criteria to assess whether there is significant increase in credit risk or the asset has been credit impaired:

- Historical trend of collection from counterparty
- Company's contractual rights with respect to recovery of dues from counterparty
- Credit rating of counterparty and any relevant information available in public domain

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

ECL is a probability weighted estimate of credit losses. It is measured as the present value of cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with contract and the cash flows that the Company expects to receive).

The Company has three types of financial assets that are subject to the expected credit loss:
- Trade & other receivables
- Cash and cash equivalents and other bank balances
- Investment in debt securities measured at amortised cost

### Trade and Other Receivables

Exposures to customers' outstanding at the end of each reporting period are reviewed by the Company to determine incurred and expected credit losses. Historical trends of collection from counterparties on timely basis reflects low level of credit risk. As the Company has a contractual right to such receivables as well as control over preponderant amount of such funds due from customers, the Company does not estimate any credit risk in relation to such receivables. Further, management believes that the unimpaired amounts that are past due by more than 180 days are still collectible in full, based on historical payment behaviour.

### Cash and Cash Equivalents and Other Bank Balances

The Company holds cash and cash equivalents and other bank balances as per note 4 and 5. The credit worthiness of such banks and financial institutions is evaluated by the management on an ongoing basis and is considered to be high.

### Investment in Debt Securities measured at amortised cost

The Company has made investments in tax free bonds. Funds are invested after taking into account parameters like safety, liquidity and post tax returns etc. The Company avoids concentration of credit risk by spreading them over several counterparties with good credit rating profile and sound financial position. The Company's exposure and credit ratings of its counterparties are monitored on an ongoing basis.

Investment in debt securities that are in tax free government bonds do not carry any credit risk, being sovereign in nature. Credit risk from other financial assets has not increased significantly since initial recognition. Accordingly, the expected probability of default is low.

### ii. Liquidity Risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Company on acceptable terms.

To limit this risk, management has adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a regular basis. The Company has developed internal control processes for managing liquidity risk.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Company assesses the liquidity position under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Company.





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

### Exposure to Liquidity Risk

The table below analyses the Company's financial liabilities into relevant maturity pattern based on their contractual maturities for all financial liabilities.

₹ (in Crore)

| As at March 31, 2023 | Carrying amount | Contractual Cash Flows | | |
|---|---|---|---|---|
| | | Total | 1 year or less | More than 1 year |
| **Financial Liabilities** | | | | |
| Trade Payables | 35.60 | 35.60 | 35.60 | - |
| Lease Liability (remaining contractual maturities) | 130.47 | 154.75 | 43.11 | 111.64 |
| Other Financial Liabilities (excluding Lease Liability) | 75.79 | 75.79 | 75.79 | - |
| **Total** | **241.86** | **266.14** | **154.50** | **111.64** |

₹ (in Crore)

| As at March 31, 2022 | Carrying amount | Contractual Cash Flows | | |
|---|---|---|---|---|
| | | Total | 1 year or less | More than 1 year |
| **Financial Liabilities** | | | | |
| Trade Payables | 29.24 | 29.24 | 29.24 | - |
| Lease Liability (remaining contractual maturities) | 109.62 | 132.76 | 31.55 | 101.21 |
| Other Financial Liabilities (excluding Lease Liability) | 80.02 | 80.02 | 80.02 | - |
| **Total** | **218.88** | **242.02** | **140.81** | **101.21** |

### iii. Market Risk

Market risk is the risk of loss of future earnings, fair values or future cash flows related to financial instrument that may result from adverse changes in market rates and prices (such as foreign exchange rates, interest rates, other prices). The Company is exposed to market risk primarily related to currency risk, interest rate risk and price risk.

### Currency Risk

The Company has insignificant amount of foreign currency denominated assets. Accordingly, the exposure to currency risk is insignificant.

### Interest Rate Risk

The Company's investments are primarily in fixed rate interest instruments. Accordingly, the exposure to interest rate risk is also insignificant.

### Price Risk

Price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices and related market variables including interest rate for investments in debt oriented mutual funds and debt securities, whether caused by factors specific to an individual investment, its issuer or the market. The Company's exposure to price risk arises from investments in equity securities, debt securities, units of mutual funds, venture capital fund and alternative investment funds which are classified as financial assets at Fair Value Through Profit and Loss and is as follows:

₹ (in Crore)

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| Exposure to price risk | 5,658.22 | 5,107.30 |

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

To manage its price risk from investments in equity securities, debt securities, units of mutual funds, venture capital fund and alternative investment funds, the Company diversifies its portfolio.

### Sensitivity Analysis

The table below sets out the effect on profit or loss and equity due to reasonable possible weakening/strengthening in prices of 5%:

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 | For the year ended March 31, 2022 |
|---|---|---|
| **Effect on Profit and Loss** | | |
| 5% increase in the prices | 282.91 | 255.37 |
| 5% decrease in the prices | (282.91) | (255.37) |

## Note 36 Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

₹ (in Crore)

| Particulars | As at March 31, 2023 | | | As at March 31, 2022 | | |
|---|---|---|---|---|---|---|
| | Within 12 months | After 12 months | Total | Within 12 months | After 12 months | Total |
| **Assets** | | | | | | |
| **Financial Assets** | | | | | | |
| Cash and Cash Equivalents | 3.12 | - | 3.12 | 1.87 | - | 1.87 |
| Bank Balance other than above | 0.89 | - | 0.89 | 6.20 | - | 6.20 |
| **Receivables** | | | | | | |
| (i) Trade Receivables | 183.74 | - | 183.74 | 74.53 | - | 74.53 |
| (ii) Other Receivables | 8.35 | 4.24 | 12.59 | 3.40 | 2.59 | 5.99 |
| Investments | 1,104.71 | 4,974.45 | 6,079.16 | 1,331.65 | 4,238.58 | 5,570.23 |
| Other Financial Assets | 19.28 | 11.90 | 31.18 | 13.94 | 11.26 | 25.20 |
| **Sub-total – Financial Assets** | 1,320.09 | 4,990.59 | 6,310.68 | 1,431.59 | 4,252.43 | 5,684.02 |
| **Non-financial Assets** | | | | | | |
| Current Tax Assets (net) | - | 30.46 | 30.46 | - | 30.63 | 30.63 |
| Property, Plant and Equipment | - | 137.59 | 137.59 | - | 122.18 | 122.18 |
| Intangible Assets Under Development | - | 2.14 | 2.14 | - | 0.46 | 0.46 |
| Goodwill | - | 6.04 | 6.04 | - | 6.04 | 6.04 |
| Other Intangible Assets | - | 6.84 | 6.84 | - | 6.88 | 6.88 |
| Other Non-financial Assets | 37.63 | 5.15 | 42.78 | 22.82 | 7.34 | 30.16 |
| **Sub-total – Non-financial Assets** | 37.63 | 188.22 | 225.85 | 22.82 | 173.53 | 196.35 |
| **Total Assets** | 1,357.72 | 5,178.81 | 6,536.53 | 1,454.41 | 4,425.96 | 5,880.37 |





# Notes to Standalone Financial Statements

for the year ended March 31, 2023

₹ (in Crore)

| Particulars | As at March 31, 2023 | | | As at March 31, 2022 | | |
|---|---|---|---|---|---|---|
| | Within 12 months | After 12 months | Total | Within 12 months | After 12 months | Total |
| **Liabilities** | | | | | | |
| **Financial Liabilities** | | | | | | |
| **Payables** | | | | | | |
| **Trade payables** | | | | | | |
| (i) Total Outstanding Dues of Micro Enterprises and Small Enterprises | - | - | - | - | - | - |
| (ii) Total Outstanding Dues of Creditors other than Micro Enterprises and Small Enterprises | 35.60 | - | 35.60 | 29.24 | - | 29.24 |
| **Other Financial Liabilities** | 110.58 | 95.68 | 206.26 | 104.21 | 85.43 | 189.64 |
| **Sub-total - Financial Liabilities** | 146.18 | 95.68 | 241.86 | 133.45 | 85.43 | 218.88 |
| **Non-financial Liabilities** | | | | | | |
| Current Tax Liabilities (net) | 18.39 | - | 18.39 | 7.37 | - | 7.37 |
| Provisions | 1.62 | 10.95 | 12.57 | 1.21 | 10.58 | 11.79 |
| Deferred Tax Liabilities (net) | - | 100.77 | 100.77 | - | 75.34 | 75.34 |
| Other Non-financial Liabilities | 54.53 | - | 54.53 | 36.95 | - | 36.95 |
| **Sub-total - Non-financial Liabilities** | 74.54 | 111.72 | 186.26 | 45.53 | 85.92 | 131.45 |
| **Total Liabilities** | 220.72 | 207.40 | 428.12 | 178.98 | 171.35 | 350.33 |

## Note 37 Statutory disclosure required as per Schedule III Division III of the the Companies Act, 2013

### (i) Ratios

₹ (in Crore)

| Ratios | Numerator | Denominator | March 31, 2023 | % Variance |
|---|---|---|---|---|
| (a) Capital to risk-weighted assets ratio (CRAR)* | - | - | - | - |
| (b) Tier I CRAR* | - | - | - | - |
| (c) Tier II CRAR* | - | - | - | - |
| (d) Liquidity Coverage Ratio (no.of times) [Total Financial Assets (within 12 months)/Total Liabilities (within 12 months)] This has decreased as Financial asset balances and specifically, investments which are maturing within 12 months from the reporting date including new purchases, have changed. | 1,320.09 | 220.72 | 5.98 | (25.23) |

₹ (in Crore)

| Ratios | Numerator | Denominator | March 31, 2022 | % Variance |
|---|---|---|---|---|
| (a) Capital to risk-weighted assets ratio (CRAR)* | - | - | - | - |
| (b) Tier I CRAR* | - | - | - | - |
| (c) Tier II CRAR* | - | - | - | - |
| (d) Liquidity Coverage Ratio (no.of times) [Total Financial Assets (within 12 months)/Total Liabilities (within 12 months)] This has increased as Financial asset balances and specifically, investments which are maturing within 12 months from the reporting date including new purchases, have changed. | 1,431.59 | 178.98 | 8.00 | 26.59 |

***Note:** Since the Company is not in lending business, it does not have any credit exposure. Hence, these ratios are not applicable to the Company.

# Notes to Standalone Financial Statements

for the year ended March 31, 2023

### (ii) Relationship with Struck off Companies

The transactions with the companies struck off under Section 248 of Companies Act, 2013 or Section 560 of Companies Act, 1956 are disclosed below:

| Sr. No. | Name of struck off Company | Nature of transactions with struck-off Company | As at March 31, 2023 | | | As at March 31, 2022 | | |
|---|---|---|---|---|---|---|---|---|
| | | | Transaction during the year | Balance outstanding | Relationship with the Struck off company | Transaction during the year | Balance outstanding | Relationship with the Struck off company |
| 1 | Vitalink Wealth Advisory Services Private Limited | Shares held by struck off company (no.) | - | 13 | None | - | - | - |
| | | Dividend paid during the year (₹) | 546 | - | None | - | - | - |

**(iii)** The Company is in compliance with number of layers of companies, as prescribed under clause (87) of Section 2 of the Act read with the Companies (Restriction on number of Layers) Rules, 2017.

**(iv)** The Company does not have any transactions which were not recoded in the books of account, but offered as income during the year in the income tax assessment.

**(v)** The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year.

**(vi)** No funds have been advanced/loaned/invested (from borrowed funds or from share premium or from any other sources/kind of funds) by the Company to any other person(s) or entity(ies), including foreign entities (Intermediaries), with the understanding (whether recorded in writing or otherwise) that the Intermediary shall (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (Ultimate Beneficiaries) or (ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.

No funds have been received by the Company from any person(s) or entity(ies), including foreign entities (Funding Parties), with the understanding (whether recorded in writing or otherwise) that the Company shall (i) directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or (ii) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

## Note 38

The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period in which the Code becomes effective.

## Note 39

Previous year figures have been regrouped/reclassified wherever necessary, in order to make them comparable.

As per our report attached of even date

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

**Kapil Goenka**
Partner
Membership No. 118189

Mumbai, April 25, 2023

For and on behalf of the Board of Directors

**Deepak S Parekh**
Chairman
(DIN: 00009078)

**Navneet Munot**
Managing Director & Chief Executive Officer
(DIN: 05247228)

**Naozad Sirwalla**
Chief Financial Officer

**Sylvia Furtado**
Company Secretary
(ACS: 17976)





# FORM AOC - 1

(Pursuant to first proviso to sub-section (3) of Section 129 of the Companies Act, 2013, read with Rule 5 of the Companies (Accounts) Rules, 2014)

## Statement containing salient features of the financial statement of subsidiary

in ₹ crore, except % of shareholding

| Sr no. | Particulars | |
|---|---|---|
| 1 | Name of the subsidiary | HDFC AMC International (IFSC) Limited |
| 2 | The date since when subsidiary was acquired | May 27, 2022 |
| 3 | Reporting period for the subsidiary concerned, if different from the holding company's reporting period. | May 27, 2022 to March 31, 2023 |
| 4 | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries. | INR |
| 5 | Share capital | 3.00 |
| 6 | Reserves and surplus | (0.59) |
| 7 | Total assets | 3.96 |
| 8 | Total Liabilities | 1.55 |
| 9 | Investments | - |
| 10 | Turnover | - |
| 11 | Profit / (Loss) before taxation | (0.54) |
| 12 | Provision for taxation | - |
| 13 | Profit / (Loss) after taxation | (0.54) |
| 14 | Proposed Dividend | - |
| 15 | Extent of shareholding (%) | 100% |

1. HDFC AMC International (IFSC) Limited is yet to commence the operations.
2. Turnover consists of Revenue from operations

For and on behalf of the Board of Directors

**Deepak S Parekh**
Chairman
(DIN: 00009078)

**Navneet Munot**
Managing Director & Chief Executive Officer
(DIN: 05247228)

**Naozad Sirwalla**
Chief Financial Officer

**Sylvia Furtado**
Company Secretary
(ACS: 17976)

# Independent Auditor's Report

**To the Members of HDFC Asset Management Company Limited**

### Report on the Audit of the Consolidated Financial Statements

## Opinion

We have audited the consolidated financial statements of HDFC Asset Management Company Limited (hereinafter referred to as the "Holding Company") and its subsidiary (Holding Company and its subsidiary together referred to as "the Group"), which comprise the consolidated balance sheet as at March 31, 2023, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the period beginning from May 27, 2022 to March 31, 2023 ("the period"), and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2023, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the period then ended.

## Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in terms of the Code of Ethics issued by the Institute of Chartered Accountants of India and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

## Key Audit Matter

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

**Revenue Recognition: Investment Management Fees**

**See Note 3.5 and 19 to consolidated financial statements**

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| Investment Management Fee is the most significant account balance in the Statement of Profit and Loss. Investment management fees from the Mutual fund consists of fees from various schemes which invest in different categories of securities like Equity, Debt etc.<br><br>We have identified revenue from investment management fees as a key audit matter since:<br>• The calculation of investment management fees is a percentage of the assets under management ('AUM') managed by the Company. There is a process of manual inputting of approved fee rate used for computation of Investment Management Fee income. AUM calculation is automatically done in the system.<br>• Multiple schemes of HDFC Mutual Fund require effective monitoring over key financial terms and conditions being captured and applied accurately. Any discrepancy in such computations could result in misstatement of investment management fee recognised in the financial statements. | In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence:<br><br>**Testing of Design and Operating Effectiveness of controls**<br>• Understood and evaluated the design and implementation of authorisation controls and other key controls relating to recognition of investment management fee;<br>• Test checked the operating effectiveness of authorisation controls, and other key controls over recognition of investment management fee.<br><br>**Substantive tests**<br>• Evaluated the appropriateness of revenue recognition in respect of investment management fee income based on the requirements of Ind AS 115;<br>• Obtained and tested arithmetical accuracy of investment management fee calculations and reconciled investment management fee to amounts included in financial statements for completeness of income recognition;<br>• Test checked that investment management fee rates were approved by authorised personnel;<br>• Obtained and read the investment management fee certification reports, issued by the statutory auditors of mutual fund schemes, in accordance with generally accepted assurance standards for such work and reconciled the certified amounts with the accounting records;<br>• Test checked the investment management fee invoices and reconciled with the accounting records;<br>• Test checked the receipts of money of Investment Management fee income in the bank statements;<br>• Evaluated the adequacy of disclosures relating to the investment management fee earned by the Company. |





## Other Information

The Holding Company's Management and Board of Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and auditor's report thereon. The Annual Report are expected to be made available to us after the date of this auditor's report.

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

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

## Management's and Board of Directors' Responsibilities for the Consolidated Financial Statements

The Holding Company's Management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit/loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. The respective Management and Board of Directors of the companies included in the Group are responsible for 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; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Management and Board of Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Management and Board of Directors of the companies included in the Group are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Company.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

We communicate with those charged with governance of the Holding Company and such other entity included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2 A. As required by Section 143(3) of the Act, we report, to the extent applicable, that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.

c) The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act.

e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2023 taken on record by the Board of Directors of the Holding Company and its subsidiary company incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2023 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 with reference to financial statements of the Holding Company and its subsidiary company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

B. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

a) The consolidated financial statements disclose the impact of pending litigations as at March 31, 2023 on the consolidated financial position of the Group. Refer Note 30(a) to the consolidated financial statements.

b) The Group did not have any material foreseeable losses on long-term contracts including derivative contracts during the period ended March 31, 2023.

c) There are no amounts which are required to be transferred to the Investor Education and Protection Fund by the Holding Company or its subsidiary company incorporated in India during the period ended March 31, 2023.

d) (i) The management of the Holding Company and its subsidiary company incorporated in India whose financial statements have been audited under the Act has represented that, to the best of their knowledge and belief, as disclosed in the Note 36(v) to the consolidated financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding Company or subsidiary company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Holding Company or subsidiary company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(ii) The management of the Holding Company and its subsidiary company incorporated in India whose financial statements have been audited under the Act has represented that, to the best of their knowledge and belief, as disclosed in the Note 36(v) to the consolidated financial statements, no funds have been received by the Holding Company or subsidiary company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Holding Company or subsidiary company shall directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Parties ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(iii) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (i) and (ii) above, contain any material misstatement.

e) The final dividend paid by the Holding Company during the period, in respect of the same declared for the previous year, is in accordance with Section 123 of the Act to the extent it applies to payment of dividend.

As stated in Note 31 to the consolidated financial statements, the Board of Directors of the Holding Company have proposed final dividend for the period which is subject to the approval of the members at the ensuing Annual General Meeting. The dividend declared is in accordance with Section 123 of the Act to the extent it applies to declaration of dividend.

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

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

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

Chartered Accountants

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

**Kapil Goenka**
Partner

Place: Mumbai | Membership No. 118189

Date: April 25, 2023 | ICAI UDIN: 23118189BGURDV3949





# Annexure A to the Independent Auditor's Report

on the Consolidated Financial Statements of HDFC Asset Management Company Limited for the period ended March 31, 2023

**(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

(xxi) As auditors of the subsidiary company, in our opinion and according to the information and explanations given to us, there are no qualifications or adverse remarks in the Companies (Auditor's Report) Order, 2020 reports of the companies incorporated in India and included in the consolidated financial statements.

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

Chartered Accountants

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

**Kapil Goenka**
Partner

Place: Mumbai | Membership No. 118189

Date: April 25, 2023 | ICAI UDIN: 23118189BGURDV3949

# Annexure B to the Independent Auditor's Report

on the consolidated financial statements of HDFC Asset Management Company Limited for the period ended March 31, 2023

**Report on the internal financial controls with reference to the aforesaid consolidated financial statements under Clause (i) of sub-section 3 of Section 143 of the Act**

**(Referred to in paragraph 2(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

## Opinion

In conjunction with our audit of the consolidated financial statements of HDFC Asset Management Company Limited (hereinafter referred to as "the Holding Company") as of and for the period ended March 31, 2023, we have audited the internal financial controls with reference to financial statements of the Holding Company and such company incorporated in India under the Act which is its subsidiary company, as of that date.

In our opinion, the Holding Company and such company incorporated in India which is its subsidiary company, have, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at March 31, 2023, based on the internal financial controls with reference to financial statements criteria established by the Holding Company considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

## Management's and Board of Directors' Responsibilities for Internal Financial Controls

The respective Company's Management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the respective company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

## Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, 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 judgement, including the assessment of the risks of material misstatement of the consolidated 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 internal financial controls with reference to financial statements.

## Meaning of Internal Financial Controls with Reference to Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include 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 consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

## Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

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

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

Chartered Accountants

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

**Kapil Goenka**
Partner

Place: Mumbai — Membership No. 118189

Date: April 25, 2023 — ICAI UDIN: 23118189BGURDV3949

# Consolidated Balance Sheet

as at March 31, 2023

₹ (in Crore)

| Particulars | | Note No. | As at March 31, 2023 |
|---|---|---|---|
| **Assets** | | | |
| **I** | **Financial Assets** | | |
| a | Cash and Cash Equivalents | 4 | 4.46 |
| b | Bank Balance other than (a) above | 5 | 2.57 |
| c | Receivables | | |
| | (i) Trade Receivables | 6 | 183.74 |
| | (ii) Other Receivables | 7 | 11.24 |
| d | Investments | 8 | 6,076.16 |
| e | Other Financial Assets | 9 | 32.12 |
| | **Sub-total - Financial Assets** | | 6,310.29 |
| **II** | **Non-financial Assets** | | |
| a | Current Tax Assets (net) | | 30.46 |
| b | Property, Plant and Equipment | 10 | 137.59 |
| c | Intangible Assets Under Development | 10 | 2.14 |
| d | Goodwill | 10 | 6.04 |
| e | Other Intangible Assets | 10 | 6.84 |
| f | Other Non-financial Assets | 11 | 42.78 |
| | **Sub-total - Non-financial Assets** | | 225.85 |
| | **Total Assets** | | 6,536.14 |
| **Liabilities and Equity** | | | |
| **Liabilities** | | | |
| **I** | **Financial Liabilities** | | |
| **A** | **Payables** | | |
| | Trade Payables | | |
| | (i) Total Outstanding Dues of Micro Enterprises and Small Enterprises | 12 | 0.05 |
| | (ii) Total Outstanding Dues of Creditors Other than Micro Enterprises and Small Enterprises | 12 | 35.63 |
| **B** | **Other Financial Liabilities** | 13 | 206.37 |
| | **Sub-total - Financial Liabilities** | | 242.05 |
| **II** | **Non-financial Liabilities** | | |
| a | Current Tax Liabilities (net) | | 18.39 |
| b | Provisions | 14 | 12.57 |
| c | Deferred Tax Liabilities (net) | 15 | 100.77 |
| d | Other Non-financial Liabilities | 16 | 54.54 |
| | **Sub-total - Non-financial Liabilities** | | 186.27 |
| | **Total Liabilities** | | 428.32 |
| **III** | **Equity** | | |
| a | Equity Share Capital | 17 | 106.71 |
| b | Other Equity | 18 | 6,001.11 |
| | **Equity attributable to owners of the Parent Company** | | 6,107.82 |
| | **Non-controlling interest** | | - |
| | **Sub-total - Equity** | | 6,107.82 |
| | **Total Liabilities and Equity** | | 6,536.14 |

See summary of significant accounting policies and accompanying notes which form an integral part of the consolidated financial statements

As per our report attached of even date

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

**Kapil Goenka**
Partner
Membership No. 118189

Mumbai, April 25, 2023

For and on behalf of the Board of Directors

**Deepak S. Parekh**
Chairman
(DIN: 00009078)

**Navneet Munot**
Managing Director & Chief Executive Officer
(DIN: 05247228)

**Naozad Sirwalla**
Chief Financial Officer

**Sylvia Furtado**
Company Secretary
(ACS: 17976)





# Consolidated Statement of Profit and Loss

for the year ended March 31, 2023

₹ (in Crore except per equity share data)

| Particulars | Note No. | For the year ended March 31, 2023 |
|---|---|---|
| **Revenue from Operations** | | |
| Asset Management Services | 19 | 2,166.81 |
| **Other Income** | 20 | 315.81 |
| **Total Income** | | 2,482.62 |
| **Expenses** | | |
| Finance Costs | 28 | 9.69 |
| Fees and Commission Expenses | | 3.68 |
| Employee Benefits Expenses | 21 | 312.67 |
| Depreciation, Amortisation and Impairment | 10 | 53.34 |
| Other Expenses | 22 | 233.18 |
| **Total Expenses** | | 612.56 |
| **Profit Before Tax** | | 1,870.06 |
| **Tax Expense** | | |
| Current Tax | 25 | 421.26 |
| Deferred Tax Charge/(Credit) | 25 | 25.43 |
| **Total Tax Expense** | | 446.69 |
| **Profit After Tax** | | 1,423.37 |
| **Other Comprehensive Income** | | |
| A (i) Items that will not be reclassified to profit or loss | | |
| - Remeasurement gain/(loss) of the defined benefit plans | | 0.56 |
| (ii) Income tax relating to items that will not be reclassified to profit or loss | | |
| - Tax on Remeasurement of the defined benefit plans | | (0.14) |
| **Sub-total (A)** | | 0.42 |
| B (i) Items that will be reclassified to profit or loss | | |
| - Exchange differences on translating the financial statements of a subsidiary | | (0.04) |
| **Sub-total (B)** | | (0.04) |
| **Total Other Comprehensive Income (A+B)** | | 0.38 |
| **Total Comprehensive Income** | | 1,423.75 |
| **Profit Attributable to:** | | |
| Owners of the Parent Company | | 1,423.37 |
| Non-controlling interest | | - |
| **Other Comprehensive Income Attributable to:** | | |
| Owners of the Parent Company | | 0.38 |
| Non-controlling interest | | - |
| **Total Comprehensive Income Attributable to:** | | |
| Owners of the Parent Company | | 1,423.75 |
| Non-controlling interest | | - |
| **Earnings Per Equity Share (Face Value ₹5) (see note 27)** | | |
| - Basic | | 66.72 |
| - Diluted | | 66.71 |

See summary of significant accounting policies and accompanying notes which form an integral part of the consolidated financial statements

As per our report attached of even date

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

**Kapil Goenka**
Partner
Membership No. 118189

Mumbai, April 25, 2023

For and on behalf of the Board of Directors

**Deepak S. Parekh**
Chairman
(DIN: 00009078)

**Navneet Munot**
Managing Director & Chief Executive Officer
(DIN: 05247228)

**Naozad Sirwalla**
Chief Financial Officer

**Sylvia Furtado**
Company Secretary
(ACS: 17976)

# Consolidated Statement of Changes in Equity

for the year ended March 31, 2023

## A. Equity Share Capital

₹ (in Crore)

| Particulars | Balance at the beginning of the year | Changes in equity share capital during the year | Balance at the end of the year |
|---|---|---|---|
| **Equity Shares of ₹5 each, fully paid up** | | | |
| As at March 31, 2023 | 106.64 | 0.07 | 106.71 |

## B. Other Equity

₹ (in Crore)

| Particulars | Share Application Money-Pending allotment | Reserves and Surplus: Capital Redemption Reserve | Securities Premium | General Reserve | Share Options Outstanding Account | Retained Earnings | Currency Translation Reserve | Total | Attributable to owners of the Parent Company | Attributable to Non-controlling interest |
|---|---|---|---|---|---|---|---|---|---|---|
| **Opening balance as at April 01, 2022** | 0.00 | 52.41 | 591.52 | 174.97 | 72.68 | 4,531.82 | - | 5,423.40 | 5,423.40 | - |
| Profit for the year | - | - | - | - | - | 1,423.37 | - | 1,423.37 | 1423.37 | - |
| Other Comprehensive Income – Remeasurement gain/(loss) of the defined benefit plans (net of tax) | - | - | - | - | - | 0.42 | - | 0.42 | 0.42 | - |
| Other Comprehensive Income – Exchange differences on translating the financial statements of a subsidiary | - | - | - | - | - | - | (0.04) | (0.04) | (0.04) | - |
| **Total Comprehensive Income for the year** | - | - | - | - | - | 1,423.79 | (0.04) | 1,423.75 | 1,423.75 | - |
| Final Equity Dividend Paid | - | - | - | - | - | (895.86) | - | (895.86) | (895.86) | - |
| Transfer from Share Options Outstanding Account to Securities Premium (towards options exercised) | - | - | 1.42 | - | (1.42) | - | - | - | - | - |
| Additions during the year | 9.78 | - | 9.71 | - | 40.11 | - | - | 59.60 | 59.60 | - |
| Utilised during the year | (9.78) | - | - | - | - | - | - | (9.78) | (9.78) | - |
| **Changes during the year** | - | - | 11.13 | - | 38.69 | 527.93 | (0.04) | 577.71 | 577.71 | - |
| **Closing balance as at March 31, 2023** | - | 52.41 | 602.65 | 174.97 | 111.37 | 5,059.75 | (0.04) | 6,001.11 | 6,001.11 | - |

See summary of significant accounting policies and accompanying notes which form an integral part of the consolidated financial statements

As per our report attached of even date

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

**Kapil Goenka**
Partner
Membership No. 118189

Mumbai, April 25, 2023

For and on behalf of the Board of Directors

**Deepak S. Parekh**
Chairman
(DIN: 00009078)

**Navneet Munot**
Managing Director & Chief Executive Officer
(DIN: 05247228)

**Naozad Sirwalla**
Chief Financial Officer

**Sylvia Furtado**
Company Secretary
(ACS: 17976)





# Consolidated Statement of Cash Flows

for the year ended March 31, 2023

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| **A. Cash Flow from Operating Activities** | |
| **Profit Before Tax*** | 1,870.06 |
| **Add/(Less): Adjustments for** | |
| Depreciation, Amortisation and Impairment | 53.34 |
| Finance Costs | 9.69 |
| Share-based Payments to Employees | 40.11 |
| (Profit)/Loss on Sale of Investments (net) | (21.21) |
| Fair Value (Gain)/Loss on Investments | (260.07) |
| Net (Gain)/Loss on foreign currency transactions and translations | (0.01) |
| (Profit)/Loss on Derecognition of Property, Plant and Equipment and Other Intangible Assets (net) | (0.11) |
| Investment Income from Financial Instruments | (28.91) |
| Other Interest Income | (1.98) |
| **Operating Profit before working capital changes** | 1,660.91 |
| **Adjustments for:** | |
| (Increase)/Decrease in Trade Receivables | (109.21) |
| (Increase)/Decrease in Other Receivables | (5.26) |
| (Increase)/Decrease in Other Financial Assets | (0.98) |
| (Increase)/Decrease in Other Non-financial Assets | (12.47) |
| Increase/(Decrease) in Trade Payable | 6.45 |
| Increase/(Decrease) in Other Financial Liabilities | 1.19 |
| Increase/(Decrease) in Provisions | 0.78 |
| Increase/(Decrease) in Other Non-financial Liabilities | 18.15 |
| **Cash generated from/(used in) operations** | 1,559.56 |
| Income Tax Paid | (410.21) |
| **Net cash from/(used in) operating activities (A)** | 1,149.35 |
| **B. Cash Flow from Investing Activities** | |
| Purchase of Property, Plant and Equipment and Other Intangible Assets | (14.10) |
| Proceeds from Sale of Property, Plant and Equipment and Other Intangible Assets | 0.12 |
| Purchase of Investments | (3,310.33) |
| Proceeds from Sale of Investments | 3,073.54 |
| Dividend Received | 0.23 |
| Interest Received/(Paid) | 35.37 |
| Investments in Fixed Deposits | (1.64) |
| **Net cash from/(used in) investing activities (B)** | (216.81) |

# Consolidated Statement of Cash Flows

for the year ended March 31, 2023

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| **C. Cash Flow from Financing Activities** | |
| Proceeds from Issuance of Share Capital | 9.78 |
| Principal Element of Lease Payments | (34.13) |
| Interest Element of Lease Payments | (9.69) |
| Final Equity Dividend Paid | (895.86) |
| **Net cash from/(used in) financing activities (C)** | **(929.90)** |
| **Net Increase/(Decrease) in Cash and Cash Equivalents (A + B + C)** | **2.64** |
| **Cash and Cash Equivalents at the beginning of the year** | **1.87** |
| Exchange differences on translation of foreign currency cash and cash equivalents | (0.05) |
| **Cash and Cash Equivalents at the end of the year** | **4.46** |
| **Cash and cash equivalents comprising of:** | |
| Balance with banks | 3.23 |
| Fixed Deposit with Banks with original maturity of 3 months or less | 1.23 |
| **Total** | **4.46** |
| *Amount spent towards Corporate Social Responsibility expense as per Section 135(5) of the Companies Act, 2013 | 31.68 |

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

See summary of significant accounting policies and accompanying notes which form an integral part of the consolidated financial statements

As per our report attached of even date

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

**Kapil Goenka**
Partner
Membership No. 118189

Mumbai, April 25, 2023

For and on behalf of the Board of Directors

**Deepak S. Parekh**
Chairman
(DIN: 00009078)

**Navneet Munot**
Managing Director & Chief Executive Officer
(DIN: 05247228)

**Naozad Sirwalla**
Chief Financial Officer

**Sylvia Furtado**
Company Secretary
(ACS: 17976)





# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

## 1. Group overview

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

The Company is also registered under the SEBI (Portfolio Managers) Regulations, 1993 and provides Portfolio Management Services. Further, the Company acts as an Investment Manager to HDFC AMC AIF-II, a trust registered with SEBI as a Category II Alternative Investment Fund under the SEBI (Alternative Investment Funds) Regulations, 2012.

As at March 31, 2023, Housing Development Finance Corporation Limited, the holding company owned 52.56% of the Company's equity share capital.

A Wholly-owned Subsidiary ('WOS') of the Company namely 'HDFC AMC International (IFSC) Limited', located in Gujarat International Finance Tec-City (GIFT City), Gandhinagar, India, had been incorporated effective May 27, 2022.

The Company, together with its subsidiary, is hereinafter referred to as 'the Group'.

The equity shares of the Company have been listed on National Stock Exchange of India Limited and BSE Limited since August 06, 2018.

## 2. Basis of preparation and recent accounting developments

### 2.1 Basis of preparation

#### a) Statement of compliance

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

The consolidated financial statements were approved for issue by the Company's Board of Directors on April 25, 2023.

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

#### b) Presentation of consolidated financial statements

The Group presents its consolidated balance sheet in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 34.

As the WOS was capitalised during the year ended March 31, 2023, the consolidated financial statements of the Group have been prepared from the year ended March 31, 2023. Hence, there are no comparative numbers.

#### c) Functional and presentation currency

Indian Rupee (₹) is the currency of the primary economic environment in which the Company operates and hence the functional currency of the Company. Accordingly, the management has determined that consolidated financial statements are presented in Indian Rupees (₹).

#### d) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are remeasured into the functional currency at the exchange rate prevailing on the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in Consolidated Statement of

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for the year ended March 31, 2023

Profit or Loss. Non-monetary items that are measured in terms of historical cost in foreign currency are not re-translated.

Translation of financial statements of a subsidiary having functional currency other than Indian Rupee (₹) is carried out in accordance with Indian Accounting Standard (Ind AS) 21 "The Effects of Changes in Foreign Exchange Rates". On consolidation, the assets and liabilities of the subsidiary are translated into Indian Rupee (₹) using the rate of exchange prevailing at the reporting date and its Statement of Profit and Loss is translated using an average rate to translate income and expense items. The exchange differences arising from the translation of financial statements of subsidiary having functional currency other than the Indian Rupee (₹) is recognised in Other Comprehensive Income (OCI) and is presented within other equity as currency translation reserve. Such exchange differences recognised in currency translation reserve within other equity are not reclassified to the Consolidated Statement of Profit and Loss until the disposal of the Company's interest in subsidiary.

**e) Rounding Off**

All amounts have been rounded-off to the nearest Crore up to two decimal places, unless otherwise indicated.

**f) Basis of measurement**

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

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

**g) Use of estimates and judgements**

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management believes that these estimates are prudent and reasonable and are based upon the management's best knowledge of current events and actions as on the reporting date. Actual results could differ from these estimates and differences between actual results and estimates are recognised in the periods in which the results/actions are known or materialised. Revisions to accounting estimates are recognised prospectively.

**Assumptions and estimation uncertainties**

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

- Note 3.3 (A) (iii) and 10 – estimates of useful lives and residual value of property, plant and equipment, and other intangible assets;
- Note 10 – impairment test of non-financial assets: key assumptions underlying recoverable amounts including the recoverability of expenditure on intangible assets;
- Note 23 – measurement of defined benefit obligations: key actuarial assumptions;
- Note 24 – share-based payments;
- Note 25 – recognition of deferred tax assets;
- Note 30 – recognition and measurement of provisions and contingencies; key assumptions about the likelihood and magnitude of an outflow of resources, if any;





Notes to Consolidated Financial Statements

for the year ended March 31, 2023

- Note 33 – financial instruments – fair values, risk management and impairment of financial assets;

**h) Measurement of fair values**

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

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

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

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

The management regularly reviews significant unobservable inputs and valuation adjustments.

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

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

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

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

- Note 24 – share-based payment
- Note 33 – financial instruments – fair values and risk management and impairment of financial assets

**i) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiary together referred to as ("the Group") as at and for the year ended March 31, 2023

A subsidiary is an entity which is controlled by the Company. The Company controls an investee if and only if the Company has all the following elements of control:

(a) has power over the investee;

(b) has exposure, or rights, to variable returns from its involvement with the investee; and

(c) has the ability to use its power over the investee to affect the amount of the Company's returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Company's voting rights and potential voting rights.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

- The size of the Company's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

The financial statements of the subsidiary used for the purpose of consolidation are at the same reporting date as that of the Company, i.e. year ended on March 31, 2023.

Consolidation Procedure

- Combine like items of assets, liabilities, equity, income, expenses and cash flows of the Company with those of its subsidiary. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.
- Offset (eliminate) the carrying amount of the Company's investment in a subsidiary and the Company's portion of equity in the subsidiary.
- Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of OCI are attributed to the equity holders of the Company and to the non-controlling interests (if any), even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies in line with the Company's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Company loses control over a subsidiary, it:

- derecognises the assets (including goodwill, if any) and liabilities of the subsidiary.
- derecognises the carrying amount of any non-controlling interests.
- derecognises the cumulative translation differences recorded in equity.
- recognises the fair value of the consideration received.
- recognises the fair value of any investment retained.
- recognises any surplus or deficit in profit or loss.





Notes to Consolidated Financial Statements

for the year ended March 31, 2023

- reclassifies the Company's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

The financial statements of HDFC AMC International (IFSC) Limited have been consolidated as per Ind AS 110 – Consolidated Financial Statements.

### 2.2 Recent Accounting Developments:

**Standards issued/amended but not yet effective**

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. On March 31, 2023, MCA amended the Companies (Indian Accounting Standards) Rules, 2015 by issuing the Companies (Indian Accounting Standards) Amendment Rules, 2023, applicable from April 01, 2023, as below.

**Ind AS 1 – Presentation of Financial Statements**

The amendments require companies to disclose their material accounting policies rather than their significant accounting policies. Accounting policy information, together with other information, is material when it can reasonably be expected to influence decisions of primary users of general purpose financial statements. The Group does not expect this amendment to have any significant impact in its financial statements.

**Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors**

The amendments will help entities to distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates has been replaced with a definition of accounting estimates. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The Group does not expect this amendment to have any significant impact in its financial statements.

**Ind AS 12 – Income Taxes**

The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of Ind AS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Group is evaluating the impact, if any, in its financial statements.

## 3. Significant Accounting Policies

### 3.1 Cash and Cash Equivalents

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

### 3.2 Financial instruments

**(i) Recognition and initial measurement of financial assets and financial liabilities**

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

All the financial assets and financial liabilities are initially recognised at fair value. A financial asset or financial liability which is not recognised at Fair Value Through Profit and Loss, is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets carried at fair value through profit or loss are expensed in Consolidated Statement of Profit or Loss. Trade receivables that do not contain a

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

significant financing component are measured at transaction price.

**(ii) Classification, Subsequent measurement, gains and losses of financial assets**

**Classification:**

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

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

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

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

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

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

**Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)**

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

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

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

**Subsequent measurement and gains and losses:**

| | |
|---|---|
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in the Consolidated Statement of Profit and Loss. Any gain or loss on derecognition is recognised in the Consolidated Statement of Profit and Loss. |
| Debt investments measured at FVOCI | These assets are subsequently measured at fair value. Interest income under effective interest method, foreign exchange gains and losses and impairment losses are recognised in the Consolidated Statement of Profit and Loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the Consolidated Statement of Profit and Loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in the Consolidated Statement of Profit and Loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to Consolidated Statement of Profit and Loss. |
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, any interest or dividend income, are recognised and are presented separately in the Consolidated Statement of Profit and Loss |

**(iii) Classification, subsequent measurement, gains and losses of Financial liabilities**

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definition of a financial liability and an equity instrument.

Financial liabilities are classified as measured at amortised cost or FVTPL. A Financial Liability is classified as at FVTPL if it is classified as held for trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in Consolidated Statement of Profit and Loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the Consolidated Statement of Profit and Loss. Any gain or loss on derecognition is also recognised in the Consolidated Statement of Profit and Loss.

**(iv) Derecognition of financial assets and financial liabilities**

**Financial assets**

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

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

**Financial liabilities**

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

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

(v) Impairment of financial instruments

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

Measurement of expected credit losses

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

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

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to Consolidated Statement of Profit and Loss and is recognised in OCI.

Write off

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

Off-setting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the consolidated balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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

(i) Recognition and measurement

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

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

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably.

(iii) Depreciation

Depreciation on property, plant and equipment is provided on straight-line basis as per the estimated useful life and in the manner prescribed in Schedule II of the Companies Act, 2013 except for certain assets.





# Notes to Consolidated Financial Statements

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

| Class of property, plant and equipment | Useful Life (No. of years) | |
|---|---|---|
| | As per the Companies Act, 2013 | As per management's estimate |
| Buildings* | 60 | 50 |
| Computer Equipment: | | |
| Server and Network* | 6 | 4 |
| Others | 3 | 3 |
| Furniture and Fixtures* | 10 | 7 |
| Electrical Installations* | 10 | 7 |
| Office Equipment | 5 | 5 |
| Vehicles* | 8 | 4 |
| Improvement of Rented Premises | Not specified | Over the lease term or five years, whichever is less |

*Based on technical advice, management is of the opinion that the useful lives of these assets reflect the period over which they are expected to be used.

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

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

(iv) Derecognition

The cost and related accumulated depreciation are eliminated from the consolidated financial statements upon sale or retirement of the asset and the resultant gains or losses are recognised in the Consolidated Statement of Profit and Loss. Assets to be disposed off are reported at the lower of the carrying value or the fair value less cost to sell.

### (B) Goodwill

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

### (C) Other intangible assets

Other intangible assets including computer software are measured at cost and recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Such other intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

(i) Subsequent expenditure

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

(ii) Amortisation

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

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

**(iii) Derecognition**

Intangible assets are derecognised on disposal or when no future economic benefits are expected to arise from its continuous use, and the resultant gains or losses are recognised in the Consolidated Statement of Profit and Loss.

**(D) Intangible assets under development**

The intangible assets under development includes cost of intangible assets that are not ready for their intended use on the date of Balance Sheet less accumulated impairment losses.

### 3.4 Impairment of non-financial assets

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

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

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

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

### 3.5 Revenue recognition

**(i) Rendering of services**

The Group recognises revenue from contracts with customers based on a five step model as set out in Ind AS 115 – Revenue from Contracts with Customers, to determine when to recognise revenue and at what amount.

Revenue is measured based on the transaction price specified in the contract with a customer that is allocated to that performance obligation. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. Revenue from contracts with customers is recognised when services are provided and it is highly probable that a significant reversal of revenue is not expected to occur.

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





# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

**Nature of services**

The Group principally generates revenue by providing asset management services to HDFC Mutual fund, Alternative Investment Fund (AIF) and other clients.

| Services | Nature, timing of satisfaction of performance obligations and significant payment terms |
|---|---|
| Investment Management Services to mutual fund | The Company has been appointed as the investment manager to HDFC Mutual Fund. The Company receives investment management fees from the mutual fund which is charged as a percent of the Assets Under Management (AUM) and is recognised on accrual basis. The maximum amount of management fee that can be charged is subject to applicable SEBI regulations.<br>The contract includes a single performance obligation (series of distinct services) that is satisfied over time and the investment management fees earned are considered as variable consideration. |
| Portfolio Management Services, Advisory Services and Investment Management Services to AIFs | The Company provides portfolio management services and advisory services to its clients wherein a separate agreement is entered into with each client. The Company earns management fees which is generally charged as a percent of the Assets Under Management (AUM) and is recognised on accrual basis. The Company, in certain instances also has a right to charge performance fee to the clients if the portfolio achieves a particular level of performance as mentioned in the agreement with the client, to the extent permissible under applicable regulations. Generally, no upfront fee is charged to the clients.<br>The Company has also been appointed as the investment manager to HDFC AMC AIF-II. The Company is entitled for management fee as per the terms of Investment Management Agreement and any other fees as agreed.<br>These contracts include a single performance obligation (series of distinct services) that is satisfied over time and the management fees and/or the performance fees earned are considered as variable consideration. |
| Investment Management services by HDFC AMC International (IFSC) Limited – Subsidiary | The Company is in the business of providing Investment Manager Services, act as a sponsor/ settler for the GIFT AIF Funds and providing discretionary/ non-discretionary portfolio management services to clients (PMS).<br>As at the end of the reporting period, the Company is in the process of setting up its business operations. |

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

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

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

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

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

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

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

Interest income/expense on financial instruments at FVTPL is not included in fair value changes but presented separately.

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

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

### 3.6 Scheme expenses & Commission

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

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

New Fund Offer (NFO) expenses on the launch of mutual fund schemes are borne by the Company and recognised in the Consolidated Statement of Profit and Loss as and when incurred.

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

### 3.7 Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

#### (ii) Share-based payment transactions

The Employee Stock Option Scheme provides for the grant of options to acquire equity shares of the Group to its employees and certain directors. The period of vesting and period of exercise are as specified within the schemes. The fair value at grant date of equity settled share-based payment options granted to employees is recognised as an employee benefit expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the options. The amount recognised as expense is based on the estimate of the number of options for which the related service conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of options that do meet the related service conditions at the vesting date. Such compensation cost is amortised over the vesting period of the respective tranches of such grant.

#### (iii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into an account with a separate entity and has no legal or constructive obligation to pay further amounts. The Group makes specified periodic contributions to the credit of the employees' account with the Employees' Provident Fund Organisation. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Consolidated Statement of Profit and Loss in the periods during which the related services are rendered by employees.

**National Pension System (NPS)**

NPS is a defined contribution plan. In case employee opts for NPS, the Group contributes a sum not exceeding 10% of basic salary plus dearness pay, if any, of the eligible employees' salary to the NPS. The Group recognises such contribution as an expense as and when incurred.

#### (iv) Defined benefit plans

**Gratuity**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of the defined benefit obligation is performed periodically by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in Other Comprehensive Income. The Group determines the net interest expense/ income on the net defined benefit liability/ asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability/asset, taking into account any changes in the net defined benefit liability/asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Consolidated Statement of Profit and Loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in the Consolidated Statement of Profit and Loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### (v) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than post-employment benefits, which do not fall due wholly within 12 months after the end of the period in which the employees render the related services, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The obligation is measured on the basis of an independent actuarial valuation using the projected unit credit method. Remeasurements gains or losses are recognised as profit or loss in the period in which they arise.

### 3.8 Provisions (other than for employee benefits), contingent liabilities, contingent assets and commitments

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

A contingent asset is not recognised but disclosed in the consolidated financial statements where an inflow of economic benefit is probable.

Commitments includes the amount of purchase order (net of advance) issued to counterparties for supplying/ development of assets and amounts pertaining to Investments which have been committed but not called for.

Provisions, contingent assets, contingent liabilities and commitments are reviewed at each balance sheet date.

### 3.9 Leases

The Group assesses whether the contract is, or contains, a lease at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### As a lessee

The Group leases some office premises. The Group recognises Right-of-Use (ROU) and lease liabilities for these leases i.e. these leases are on-balance sheet.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and is discounted using the Group's incremental borrowing rate. Since the Group does not have any debts, the Group's incremental borrowing rate has been determined based on the risk-free rate which is adjusted for the financial spread based on the credit spread of the Holding Company.

Certain leases include lease and non-lease components, which are accounted for as one single lease component. Occupancy lease agreements, in addition to contractual rent payments, generally include additional payments for certain costs incurred by the landlord, such as maintenance expenses and utilities. To the extent these are fixed or determinable, they are included as part of the lease payments used to measure the lease liability.

The ROU asset is initially measured at cost, which comprises of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received; plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. The ROU assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

Leases may include options to extend, terminate the lease which are included in the ROU Assets and Lease Liability when they are reasonably certain of exercise.

The lease liability is remeasured when there is a change in one of the following:

- the Group's estimate of the amount expected to be payable under a residual value guarantee, or
- the Group's assessment of whether it will exercise a purchase, extension, or termination option, or
- if there is a modification in the lease.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the Consolidated Statement of Profit and Loss if the carrying amount of the ROU asset has been reduced to nil.

#### As a lessor:

When the Group is the lessor, the lease is classified as either a finance lease or an operating lease. A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. An operating lease is a lease where substantially all of the risks and rewards of the leased asset remain with the lessor.

Amounts due from lessees under finance leases are recorded as receivables. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

### 3.10 Income tax

Income tax comprises of current and deferred tax. It is recognised in the Consolidated Statement of Profit and Loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in Other Comprehensive Income.

#### (i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

#### (ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits, if any

**Deferred tax is not recognised for:**

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of losses, the Group recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is other convincing evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.





Notes to Consolidated Financial Statements

for the year ended March 31, 2023

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

### 3.11 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM's function is to allocate the resources of the Group and assess the performance of the operating segments of the Group.

### 3.12 Earnings per share (EPS)

The basic earnings per share is computed by dividing profit after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding during the reporting period.

The diluted earnings per share is computed by dividing profit after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding plus the weighted average number of equity shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares, unless they are anti-dilutive.

### 3.13 Dividends on equity shares

The Company recognises a liability to make cash distributions to equity shareholders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders except in case of interim dividend. A corresponding amount is recognised directly in equity.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

## Note 4 Cash and Cash Equivalents

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Balances with Banks | 3.23 |
| Fixed Deposit with Banks with original maturity of 3 months or less | 1.23 |
| **Total** | **4.46** |

## Note 5 Bank Balance other than Cash and Cash Equivalents

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Other Bank Balances | |
| - Fixed Deposit with Bank (security against bank guarantee) | 0.15 |
| - Fixed Deposit with Bank (Others) | 1.68 |
| Earmarked Balances with Banks | |
| - Unclaimed Equity Dividend | 0.70 |
| - Withheld Brokerage | 0.04 |
| - Unspent Corporate Social Responsibility Account | - |
| **Total** | **2.57** |

## Note 6 Trade Receivables

**(Considered good – Unsecured)**

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Investment Management Fee Receivable | 182.94 |
| Portfolio Management Fee and Other Advisory Services Fee Receivable | 0.80 |
| **Total** | **183.74** |

## Trade Receivables Ageing

**(Undisputed Trade receivables – considered good)**

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Unbilled dues (A) | 183.56 |
| Outstanding for following periods from due date of payment | |
| Less than 6 months | 0.18 |
| 6 months -1 year | - |
| 1-2 years | - |
| 2-3 years | 0.00 |
| More than 3 years | 0.00 |
| **Total Outstanding (B)** | **0.18** |
| **Total (A+B)** | **183.74** |





# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

## Note 7 Other Receivables *

**(Considered good – Unsecured)**

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Related Parties (see note 26) | 0.84 |
| Others | 10.40 |
| **Total** | **11.24** |

* No debts are due from directors or other officers or any of them either severally or jointly with any other person. No debts are due from firms, Limited Liability Partnerships or private companies in which any director is a partner or a director or a member.

## Note 8 Investments

₹ (in Crore)

| Sr. No. | Particulars | As at March 31, 2023 | | |
|---|---|---|---|---|
| | | Amortised Cost | At Fair Value Through Profit and Loss | Total |
| | | (1) | (2) | (3=1+2) |
| 1 | Mutual Funds | - | 5,476.86 | 5,476.86 |
| 2 | Debt Securities | 417.94 | 7.41 | 425.35 |
| 3 | Equity Instruments | - | 23.18 | 23.18 |
| 4 | Alternative Investment Funds | - | 127.57 | 127.57 |
| 5 | Venture Capital Fund | - | 23.20 | 23.20 |
| | **Total Gross Investments (A)** | **417.94** | **5,658.22** | **6,076.16** |
| 6 | (i) Investments outside India | - | - | - |
| | (ii) Investments in India | 417.94 | 5,658.22 | 6,076.16 |
| | **Total (B)** | **417.94** | **5,658.22** | **6,076.16** |
| | Less: Allowance for Impairment (C) | - | - | - |
| | **Total Net Investments (D = A - C)** | **417.94** | **5,658.22** | **6,076.16** |

## Note 9 Other Financial Assets

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Interest accrued on Fixed Deposits | 0.00 |
| Interest accrued on Investments | 10.02 |
| Security Deposits | 14.90 |
| Investment Application Money Pending Allotment * | 7.20 |
| **Total** | **32.12** |

* Date of allotment: April 03, 2023

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

## Note 10 (A) Property, Plant and Equipment, Goodwill and Other Intangible Assets

₹ (in Crore)

| Particulars | Gross Block | | | | Depreciation/Amortisation | | | | Net Block |
|---|---|---|---|---|---|---|---|---|---|
| | As at April 01, 2022 | Additions | Deductions | As at March 31, 2023 | As at April 01, 2022 | For the year | Deductions | As at March 31, 2023 | As at March 31, 2023 |
| **Property, Plant and Equipment** | | | | | | | | | |
| Buildings | | | | | | | | | |
| Freehold | 4.34 | - | - | 4.34 | 0.50 | 0.10 | - | 0.60 | 3.74 |
| Right of Use Asset | 172.84 | 60.42 | 24.52 | 208.74 | 74.68 | 36.90 | 20.55 | 91.03 | 117.71 |
| Furniture & Fixtures | 2.77 | 0.61 | 0.18 | 3.20 | 1.99 | 0.31 | 0.18 | 2.12 | 1.08 |
| Vehicles | 0.50 | - | - | 0.50 | 0.13 | 0.12 | - | 0.25 | 0.25 |
| Office Equipment | 10.18 | 1.72 | 1.77 | 10.13 | 6.10 | 2.01 | 1.77 | 6.34 | 3.79 |
| Computer Equipment | 27.71 | 2.58 | 1.76 | 28.53 | 17.53 | 6.25 | 1.76 | 22.02 | 6.51 |
| Electrical Installations | 0.34 | - | - | 0.34 | 0.34 | - | - | 0.34 | - |
| Improvement of Rented Premises | 17.78 | 2.30 | 2.28 | 17.80 | 13.01 | 2.56 | 2.28 | 13.29 | 4.51 |
| **Total** | **236.46** | **67.63** | **30.51** | **273.58** | **114.28** | **48.25** | **26.54** | **135.99** | **137.59** |
| **Goodwill and Other Intangible Assets** | | | | | | | | | |
| Goodwill | 6.04 | - | - | 6.04 | - | - | - | - | 6.04 |
| Computer Software | 23.71 | 5.06 | 1.53 | 27.24 | 16.83 | 5.09 | 1.52 | 20.40 | 6.84 |
| **Total** | **29.75** | **5.06** | **1.53** | **33.28** | **16.83** | **5.09** | **1.52** | **20.40** | **12.88** |

### Impairment testing

The Goodwill relates to acquisition of rights to operate, administer and manage schemes of the erstwhile Morgan Stanley Mutual Fund. The recoverable amount is the management fee income based on the present value of the future cash flows expected to be derived from the asset (value in use). Management fee income is assumed to be generated at a constant rate and is discounted using a pre-tax discount rate of 7.14% based on one year Government security (G-sec) yield.

An analysis of sensitivity of the computation to a change in key parameters based on reasonably probable assumptions did not identify any probable scenarios in which the recoverable amount would decrease below the carrying amount of goodwill. Consequently, no impairment is required.





# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

## Note 10 (B) Intangible Assets Under Development

**For the year ended March 31, 2023**

**Intangible assets under development ageing schedule**

₹ (in Crore)

| Intangible assets under development | As at March 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Amount in Intangible asset under development for a period of | | | | Total |
| Particulars | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | |
| Projects in progress | 2.14 | - | - | - | 2.14 |
| Projects temporarily suspended | - | - | - | - | - |
| **Total** | **2.14** | **-** | **-** | **-** | **2.14** |

There are no Intangible assets under development as at March 31, 2023, whose completion is overdue or has exceeded its cost compared to its original plan.

## Note 11 Other Non-financial Assets

**(Considered good – Unsecured)**

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Capital Advances | 0.53 |
| Prepaid Expenses | |
| - Related Parties (see note 26) | 4.94 |
| - Others | 11.56 |
| | 16.50 |
| Goods & Services Tax Credit Receivable | 21.71 |
| Other Advances | |
| - Related Parties (see note 26) | 2.71 |
| - Others | 1.33 |
| | 4.04 |
| **Total** | **42.78** |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

## Note 12 Trade Payables

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Outstanding dues of Micro Enterprises and Small Enterprises (MSME) | 0.05 |
| Outstanding dues of creditors other than Micro Enterprises and Small Enterprises | |
| - Related Parties (see note 26) | 6.91 |
| - Others | 28.72 |
| **Total** | **35.68** |
| **Trade Payables Ageing** | |
| **MSME – Undisputed, Unbilled dues (A)** | **0.05** |
| **Others – Undisputed** | |
| Unbilled dues (B) | 28.72 |
| Outstanding for following periods from due date of payment | |
| Less than 1 year | 6.91 |
| **Total (C)** | **6.91** |
| **Total Others - Undisputed (D) = (B+C)** | **35.63** |
| **Total (A+D)** | **35.68** |

## Note 13 Other Financial Liabilities

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Employee Benefits | 68.97 |
| Other Dues | 6.23 |
| Unclaimed Equity Dividend | 0.70 |
| Lease Liability | 130.47 |
| **Total** | **206.37** |

## Note 14 Provisions

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Provision for Employee Benefits (Compensated absences & Leave encashment) | 12.57 |
| **Total** | **12.57** |

## Note 15 Deferred Tax Liabilities (net) (see note 25)

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Deferred Tax Asset | (48.30) |
| Deferred Tax Liability | 149.07 |
| **Total** | **100.77** |





# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

## Note 16 Other Non-financial Liabilities

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Statutory Dues | 50.45 |
| Employee Benefits | 4.09 |
| **Total** | **54.54** |

## Note 17 Share Capital

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| **Authorised** | |
| 60,00,00,000 Equity Shares of ₹5 each | 300.00 |
| 5,00,00,000 Redeemable, Cumulative Non-convertible Preference Shares of ₹10 each | 50.00 |
| **Total** | **350.00** |
| **Issued, Subscribed and Paid-up** | |
| 21,34,24,716 Equity Shares of ₹5 each, fully paid up | 106.71 |
| | 106.71 |

**a) Movement in Equity Share Capital during the year:**

₹ (in Crore)

| Particulars | March 31, 2023 | |
|---|---|---|
| | No. of Equity Shares | Share Capital |
| Shares outstanding at the beginning of the year (face value of ₹5 each) | 21,32,78,552 | 106.64 |
| Add: Shares issued during the year (face value of ₹5 each) | 1,46,164 | 0.07 |
| **Shares outstanding at the end of the year (face value of ₹5 each)** | **21,34,24,716** | **106.71** |

**b) Terms/Rights attached to Equity Shares**

1. The Company had issued only one class of equity shares referred to as equity share having face value of ₹10 each which was sub-divided to ₹5 each w.e.f. February 13, 2018. Each holder of equity shares is entitled to one vote per share.

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

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

**c)** 11,21,79,830 equity shares of ₹5 each are held by Housing Development Finance Corporation Limited (Holding Company).

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

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

| Name of the Shareholder | As at March 31, 2023 | |
|---|---|---|
| | No. of Equity Shares (Face Value ₹5) | % of Share Capital |
| Housing Development Finance Corporation Limited (Holding Company) | 11,21,79,830 | 52.56 |
| Abrdn Investment Management Limited (formerly known as Standard Life Investments Limited) | 2,17,78,305 | 10.20 |
| Life Insurance Corporation of India | 1,96,58,764 | 9.21 |

e) 13,56,484 equity shares of ₹5 each are reserved for issuance towards outstanding employee stock options.

f) No equity shares were bought back during last five years.

g) No shares were allotted as fully paid-up 'pursuant to any contract without payment being received in cash' in last five years.

h) 7,89,58,200 fully paid up equity shares of ₹10 each were issued by way of bonus shares during the period of five years immediately preceding the reporting date.

i) **Details of shareholding of Promoters:**

| Promoter name | As at March 31, 2023 | | | As at April 01, 2022 |
|---|---|---|---|---|
| | No. of Equity Shares (Face Value ₹5) | % of total Share Capital | % Change during the year# | No. of Equity Shares (Face Value ₹5) |
| Housing Development Finance Corporation Limited (Holding Company) | 11,21,79,830 | 52.56 | - | 11,21,79,830 |
| Abrdn Investment Management Limited (formerly known as Standard Life Investments Limited) | 2,17,78,305 | 10.20 | (37.02) | 3,45,78,305 |

# Computed vis-à-vis number of shares held by the same entity

## Note 18 Nature and purpose of reserves

### Share application pending allotment

Until the shares are allotted, the amount received is shown under the Share Application Money Pending Allotment.

### Capital redemption reserve

Whenever there is a buy-back or redemption of share capital, the nominal value of the capital is transferred to a reserve called Capital Redemption Reserve so as to retain the capital.

### Securities premium

Securities Premium is used to record the premium (amount received in excess of face value of equity shares) on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013. The securities premium also includes amount transfered from Share options outstanding account upon exercise of options by employees and subsequent allotment of shares to them.

### General reserve

Pursuant to the provisions of Companies Act,1956, the Company had transferred a portion of its net profit before declaring dividend, to general reserve. Mandatory transfer to general reserve is not required under the Companies Act, 2013.






# Notes to Consolidated Financial Statements

for the year ended March 31, 2023


### Share options outstanding account

The grant date fair value of equity-settled share-based payment transactions with employees and directors are recognised in the Consolidated Statement of Profit and Loss with the corresponding credit to this account over the vesting period. The amounts recorded in Share options outstanding account are transferred to securities premium upon exercise of stock options by the employees and subsequent allotment of shares to them.

### Retained earnings

Retained earnings are the profits that the Group has earned to date, less any dividends or other distributions paid to the Shareholders, net of utilisation as permitted under applicable regulations.

### Currency Translation Reserve

The exchange differences arising from the translation of financial statements of subsidiary having functional currency other than the Indian Rupee (₹) is recognised in other comprehensive income and is presented within other equity as currency translation reserve.

## Note 19 Asset Management Services

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| Investment Management Fee | 2,160.79 |
| Portfolio Management Fee and Other Advisory Services Fee | 6.02 |
| **Total** | **2,166.81** |

## Note 20 Other Income

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| **Income from Investments** | |
| Interest Income from Investments | |
| - On Financial Assets measured at Amortised Cost | 28.68 |
| Interest on deposit with Banks | |
| - On Financial Assets measured at Amortised Cost | 0.05 |
| Net gain on Financial Instruments | |
| - On Financial Assets measured at Fair Value Through Profit and Loss | 280.97 |
| Dividend Income from Investments | |
| - On Financial Assets measured at Fair Value Through Profit and Loss | 0.23 |
| **Total Income from Investments (A)** | **309.93** |
| **Others** | |
| Net gain/(loss) on derecognition of Property, Plant and Equipment | 0.11 |
| Net gain/(loss) on Foreign Exchange Transactions | (0.04) |
| Other Interest Income | 1.59 |
| Miscellaneous Income | 4.22 |
| **Total Others (B)** | **5.88** |
| **Total Other Income (A+B)** | **315.81** |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

## Note 21 Employee Benefits Expenses

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| Salaries, Allowances and Bonus | 253.75 |
| Contribution to Provident and Other Funds | 12.95 |
| Share-based Payments to Employees* | 40.11 |
| Staff Welfare and Training Expenses | 5.86 |
| **Total** | **312.67** |

* Accounting for equity settled share-based payment transaction (ESOPs) at fair value increases the non-cash component of Employee Benefits Expenses and is also reflected in Share Options Outstanding Account under Other Equity. This balance of Share Options Outstanding Account is transferred to Securities Premium as and when the stock options are exercised by the employees and subsequent allotment of shares to them. Hence, this charge is neutral to Equity of the Group.

## Note 22 Other Expenses

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| New Fund Offer and Mutual Fund Expenses | 8.33 |
| Advertisement, Publicity and Business Promotion | 38.04 |
| Rent | 0.38 |
| Rates and Taxes | 0.36 |
| Electricity Charges | 5.51 |
| Office Cleaning and Security Cost | 17.82 |
| Repair and Maintenance | 5.95 |
| Communication Expenses | 7.35 |
| Printing, Stationery and Courier | 10.00 |
| Directors' Sitting Fees, Commission, allowances and expenses | 3.17 |
| **Auditors Remuneration:** | |
| Audit Fee | 0.30 |
| Limited Reviews | 0.19 |
| Tax Audit Fee | 0.04 |
| Taxation Matters | 0.17 |
| Reimbursement of Expenses | 0.01 |
| Other Services | 0.09 |
| | 0.80 |
| Legal and Professional Fees | 6.37 |
| Insurance Expenses | 5.73 |
| Travel and Conveyance | 8.02 |
| Subscription and Membership Fees | 12.91 |
| Outsourced Services Cost | 26.13 |
| Donations | 0.03 |
| Corporate Social Responsibility expense as per Section 135 (5) of the Companies Act, 2013 | 31.68 |
| Software Expenses and Allied Services | 30.61 |
| KYC Expenses related to Mutual Fund Investors | 5.15 |
| Miscellaneous Expenses | 8.84 |
| **Total** | **233.18** |





Notes to Consolidated Financial Statements

for the year ended March 31, 2023

## Note 23 Employee Benefits

### a) Defined Contribution Plan

The Group has recognised the following amounts in the Consolidated Statement of Profit and Loss, which are included under Contributions to Provident Fund and Other Funds:

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| Employer's contribution to Provident Fund | 7.29 |
| Employer's contribution to National Pension System | 1.24 |

### b) Defined Benefit Plan – Gratuity

In accordance with the applicable Indian laws, the Group has a defined benefit plan which provides for gratuity payments. The plan provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment, which requires contributions to be made to a separately administered fund.

The fund is managed by a trust which is governed by the Board of Trustees. The Board of Trustees are responsible for the administration of the plan assets and for the definition of the investment strategy.

The amounts are based on the respective employee's last drawn salary and the years of employment with the Group. Liabilities in respect of the gratuity plan are determined by an actuarial valuation, based upon which the Group makes annual contributions to the plan. The plan is funded with a life insurance company in the form of a qualifying insurance policy.

The following tables summaries the components of net employee benefit expense recognised in the Consolidated Statement of Profit and Loss, the funded status and amounts recognised in Consolidated Balance Sheet.

#### (i) Changes in Present Value of the Defined Benefit Obligation

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Obligation as at beginning of the year | 38.32 |
| Current service cost | 3.76 |
| Interest cost | 2.74 |
| Benefits paid | (5.79) |
| Actuarial (gains)/losses on obligation – due to change in demographic assumptions | (0.10) |
| Actuarial (gains)/losses on obligation – due to change in financial assumptions | (1.90) |
| Actuarial (gains)/losses on obligation – due to experience adjustments | 0.34 |
| Obligation as at the end of the year | 37.37 |

# Notes to Consolidated Financial Statements
for the year ended March 31, 2023

### (ii) Change in the Fair Value of Plan Assets

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Fair Value of Plan Assets at the beginning of the year | 34.94 |
| Expected return on plan assets | 2.50 |
| Contributions by the Employer | 3.37 |
| Benefit Paid from the Fund | (5.79) |
| Actuarial gain/(loss) on plan assets | (1.10) |
| Fair Value of Plan Assets at the end of the year | 33.92 |

### (iii) Actual Return on Plan Assets

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Expected return on Plan Assets | 2.50 |
| Actuarial gain/(loss) on Plan Assets | (1.10) |
| Actual Return on Plan Assets | 1.40 |

### (iv) Amount recognised in the Consolidated Balance Sheet

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Present Value of defined benefit obligation | (37.37) |
| Fair Value of Plan Assets | 33.92 |
| Funded status [surplus/(deficit)] | (3.45) |
| Net (Liability)/Asset recognised in the Consolidated Balance Sheet | (3.45) |

### (v) Expenses recognised in the Consolidated Statement of Profit and Loss

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| Current service cost | 3.76 |
| Interest Cost | 2.74 |
| Expected Return on Plan Assets | (2.50) |
| Expenses recognised in the Consolidated Statement of Profit and Loss | 4.00 |

### (vi) Expenses recognised in Consolidated Other Comprehensive Income (OCI)

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| Actuarial (gains)/losses on Obligation | (1.66) |
| Actuarial (gains)/losses on Plan Assets | 1.10 |
| Net (income)/expense for the year recognised in Consolidated OCI | (0.56) |





# Notes to Consolidated Financial Statements
for the year ended March 31, 2023

### (vii) Amount recognised in the Consolidated Balance Sheet

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Liability at the end of the year | 37.37 |
| Fair Value of Plan Assets at the end of the year | (33.92) |
| Amount recognised in the Consolidated Balance Sheet as Liability | 3.45 |

### (viii) Balance sheet reconciliation

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Net Liability as at the beginning of the year | 3.38 |
| Expenses recognised in the Consolidated Statement of Profit and Loss | 4.00 |
| Expenses/(Income) recognised in Consolidated OCI | (0.56) |
| Contributions by the Employer | (3.37) |
| Net Liability/(Asset) recognised in Consolidated Balance Sheet | 3.45 |

### (ix) Investment Pattern

| Particulars | % Invested As at March 31, 2023 |
|---|---|
| Money Market Instruments, Public Deposits and Net Current Assets | 7.38 |
| Debentures/Bonds | 45.46 |
| Government Securities | 47.16 |

### (x) Actuarial Assumptions

| Particulars | As at March 31, 2023 |
|---|---|
| Expected Return on Plan Assets | 7.41% |
| Rate of Discounting | 7.41% |
| Rate of Salary Increase | 6.50% |
| Rate of Employee Turnover | For service 4 years and below 18.84% p.a. For service 5 years and above 8.81% p.a. |
| Mortality Rate During Employment | Indian Assured Lives Mortality 2012-14 (Urban) |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

**(xi) The Group generally makes annual contributions to the plan based on the actuarial valuation of 'amount recognised in the Consolidated Balance Sheet as Liability at the year end'.**

**(xii) The expected contributions to the plan for the next annual reporting period**

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| The expected contributions to the plan for the next annual reporting period | 5.12 |

**(xiii) Maturity Analysis of the benefit payments**

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Projected benefits payable in future years from the date of reporting | |
| 1st Following year | 3.57 |
| 2nd Following year | 3.41 |
| 3rd Following year | 3.45 |
| 4th Following year | 4.06 |
| 5th Following year | 4.27 |
| Sum of years 6 to 10 | 17.09 |
| Sum of years 11 and above | 31.39 |

The Weighted average duration of the projected benefit obligation is eight years.

**(xiv) Sensitivity Analysis**

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Projected Benefit Obligation on Current Assumptions | 37.37 |
| Delta Effect of +1% Change in Rate of Discounting | (2.25) |
| Delta Effect of -1% Change in Rate of Discounting | 2.53 |
| Delta Effect of +1% Change in Rate of Salary Increase | 2.53 |
| Delta Effect of -1% Change in Rate of Salary Increase | (2.29) |
| Delta Effect of +1% Change in Rate of Employee Turnover | 0.10 |
| Delta Effect of -1% Change in Rate of Employee Turnover | (0.12) |

The sensitivity analysis have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analysis presented above may not be representative of the actual change in the Defined Benefit Obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the Defined Benefit Obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as applied in calculating the Defined Benefit Obligation as recognised in the consolidated balance sheet.





# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

**Risks associated with Defined Benefit Plan:**

*(i) Interest Rate Risk*

A fall in the discount rate which is linked to the G.Sec. Rate will increase the present value of the liability requiring higher provision. A fall in the discount rate generally increases the mark to market value of the assets depending on the duration of asset.

*(ii) Salary Risk*

The present value of the defined benefit plan liability is calculated by reference to the future salaries of members. As such, an increase in the salary of the members more than assumed level will increase the plan's liability.

*(iii) Investment Risk*

The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds. If the return on plan asset is below this rate, it will create a plan deficit. Currently, for the plan in India, it has a relatively balanced mix of investments in government securities and other debt instruments.

*(iv) Asset Liability Matching (ALM) Risk*

The plan faces the ALM risk as to the matching cash flow. Since the plan is invested in lines of Rule 101 of Income Tax Rules, 1962, this generally reduces ALM risk.

*(v) Mortality Risk*

Since the benefits under the plan is not payable for life time and payable till retirement age only, plan does not have any longevity risk.

*(vi) Concentration Risk*

Plan is having a concentration risk as all the assets are invested with the insurance company and a default will wipe out all the assets. Although probability of this is very low as insurance companies have to follow stringent regulatory guidelines which mitigate risk.

During the year, there were no plan amendments, curtailments and settlements.

## Note 24 Share-based payments

**Accounting for Employee Share-based Payments**

Under Employees Stock Option Scheme 2020 (ESOS 2020), the Company had on July 21, 2022 granted 50,000 stock options, representing 50,000 equity shares of ₹5/- each to few employees of the Company. The said stock options have been granted at the market price as defined in SEBI (Share-based Employees Benefits) Regulations, 2014. Accordingly, the stock options have been granted at ₹1,921.70 per option, being the latest available closing price of the shares of the Company on National Stock Exchange of India Limited, on July 20, 2022 being the previous trading day immediately preceding the date on which Grant of Options was approved by the Nomination & Remuneration Committee of the Board of Directors of the Company ('Nomination & Remuneration Committee').

Under Employees Stock Option Scheme 2020 (ESOS 2020), the Company had on January 24, 2022 granted 1,82,000 stock options, representing 1,82,000 equity shares of ₹5/- each to few employees of the Company. The said stock options have been granted at the market price as defined in SEBI (Share-based Employees Benefits) Regulations, 2014. Accordingly, the stock options have been granted at ₹2,369.40 per option, being the latest available closing price of the shares of the Company on National Stock Exchange

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

of India Limited, on January 21, 2022 being the previous trading day immediately preceding the date on which Grant of Options was approved by the Nomination & Remuneration Committee.

Under ESOS 2020, the Company had on February 22, 2021 granted 11,45,000 stock options, representing 11,45,000 equity shares of ₹5/- each to few employees of the Company. The said stock options have been granted at the market price as defined in SEBI (Share-based Employees Benefits) Regulations, 2014. Accordingly, the stock options have been granted at ₹2,934.25 per option, being the latest available closing price of the shares of the Company on National Stock Exchange of India Limited, on February 19, 2021 being the previous trading day immediately preceding the date on which Grant of Options was approved by the Nomination & Remuneration Committee.

In terms of ESOS 2020, the options shall vest in three tranches. Each of these tranches consisting of 1/3 of the options granted shall vest on the completion of the 1st, 2nd and 3rd year from the date of the grant respectively. Any fractional residue shall be settled in the 3rd tranche. The options can be exercised over a period of five years from the date of respective vesting.

Under Employees Stock Option Scheme 2017 – Series I (ESOS 2017 – Series I), the Company had on July 28, 2017 granted 1,58,875 stock options at an exercise price of ₹5,353/- per option, representing 1,58,875 equity shares of ₹10/- each to few employees & directors of the Company. The fair value of the Company's underlying equity share was determined in accordance with the pricing formula approved by the Nomination & Remuneration Committee i.e. based on the Price Earning Multiple method and the Assets Under Management (AUM) method.

In terms of ESOS 2017 – Series I, the options vest over a period of 1-2 years from the date of grant. The options can be exercised over a period of five years from the date of vesting.

Pursuant to the terms of respective Employees Stock Option Schemes (ESOS), in case of a corporate action like bonus shares, rights issue, buyback of shares, split of shares, reduction of capital etc., the number of options outstanding as at the date of the corporate action and the exercise price under all the relevant ESOS shall stand modified accordingly, so as to ensure that the paid-up value of the total shares that can be issued under them remains unchanged. Accordingly, the Nomination and Remuneration Committee of the Company has resolved, vide its circular resolution passed in February 2018, to make appropriate adjustments to the outstanding options and now each option represents one equity share of ₹ ₹5/- each.

### Comparison of exercise price per option:

₹

| Name of the Series | Pre corporate action | Post corporate action |
|---|---|---|
| ESOS 2017 Series I | 5,353.00 | 669.13 |

No modifications were made in the terms and conditions of ESOS during the year.

The number of options vested during the year were 4,15,666

The number of options vested and forfeited/expired (after vesting) during the year were Nil





# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

### Movement in the options under ESOS 2017:

| Particulars | No. of Options<br>For the year ended March 31, 2023<br>ESOS 2017<br>Series I |
|---|---|
| Outstanding at the beginning of the year* | 2,05,648 |
| Granted during the year* | Nil |
| Exercised during the year* | 1,46,164 |
| Forfeited during the year* | Nil |
| Outstanding at the end of the year* | 59,484 |
| Exercisable at the end of the year* | 59,484 |
| **For options outstanding at the end of the year:** | |
| Exercise price per option (₹) | 669.13 |
| Weighted average remaining contractual life (No. of years) | 0.33 |

### Movement in the options under ESOS 2020:

| Particulars | No. of Options | | |
|---|---|---|---|
| | For the year ended March 31, 2023 | For the year ended March 31, 2023 | For the year ended March 31, 2023 |
| | Grant Date February 22, 2021 | Grant Date January 24, 2022 | Grant Date July 21, 2022 |
| Outstanding at the beginning of the year* | 10,65,000 | 1,82,000 | Nil |
| Granted during the year* | Nil | Nil | 50,000 |
| Exercised during the year* | Nil | Nil | Nil |
| Forfeited during the year* | Nil | Nil | Nil |
| Outstanding at the end of the year* | 10,65,000 | 1,82,000 | 50,000 |
| Exercisable at the end of the year* | 7,09,998 | 60,667 | Nil |
| **For options outstanding at the end of the year:** | | | |
| Exercise price per option (₹) | 2,934.25 | 2,369.40 | 1,921.70 |
| Weighted average remaining contractual life (no. of years) | 4.90 | 5.82 | 6.31 |

* Since all the options were granted at the same exercise price per option under the respective Series/Grant, the weighted average exercise price per option for all these groups under the respective Series/Grant is the same.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

**The weighted average share price for options exercised during the year under various Series'/Grants was ₹2,012**

### Fair value methodology

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

The key assumptions used in Black-Scholes model for calculating fair value under ESOS 2017 – Series I and ESOS 2020 as on the date of grant were:

| Particulars | ESOS 2017–Series I |
|---|---|
| Date of grant | July 28, 2017 |
| Risk-free interest rate | 6.66% p.a. |
| Expected average life | 3.5 Years |
| Expected volatility | 0% |
| Dividend yield | 1.86% p.a. |
| Fair value of the option | ₹777 |
| Fair value of the option after corporate action | ₹97 |

| Particulars | ESOS 2020 (Grant Date February 22, 2021) | ESOS 2020 (Grant Date January 24, 2022) | ESOS 2020 (Grant Date July 21, 2022) |
|---|---|---|---|
| Date of grant | February 22, 2021 | January 24, 2022 | July 21, 2022 |
| Risk-free interest rate | 5.04% - 5.66 % p.a. | 5.34% - 5.98 % p.a. | 6.74% - 6.96 % p.a. |
| Expected average life | 3.5 - 5.5 Years | 3.5 - 5.5 Years | 3.5 - 5.5 Years |
| Expected volatility | 36.10% - 37.08% | 33.91% - 35.52% | 34.68% - 36.41% |
| Dividend yield | 0.84% p.a. | 0.92% p.a. | 1.18% p.a. |
| Weighted Average Fair value of the option | ₹1,053 | ₹826 | ₹700 |

Volatility is a measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of volatility used in the Black-Scholes Model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time.

As on the date of grant, in case of ESOS 2017–Series I, the Company being an unlisted company and in the absence of listed comparable companies, volatility had been considered to be NIL.

As on the date of grant in case of ESOS 2020 (Grant Date February 22, 2021, Grant Date January 24, 2022 and Grant Date July 21, 2022), the trading history of the Company and its comparable company(s) listed on the Stock exchange are less than the life of the option. Hence, Nifty Financial Services Index is also considered for deriving the volatility.





# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

## Note 25 Tax Expense

**Components of Income Tax Expense**

### (a) Amounts recognised in the Consolidated Statement of Profit and Loss

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| **Current income tax** | **421.26** |
| | **421.26** |
| **Deferred tax (Income)/expense** | |
| Origination and reversal of temporary differences | **25.43** |
| | **25.43** |
| **Income Tax expense for the year** | **446.69** |

### (b) Tax on amounts recognised in Consolidated Other Comprehensive Income

₹ (in Crore)

| Particulars | Tax (expense)/benefit For the year ended March 31, 2023 |
|---|---|
| Remeasurement of the defined benefit plans | **(0.14)** |
| **Total** | **(0.14** |

### (c) Reconciliation of Effective Tax Rate

₹ (in Crore)

| Reconciliation between the statutory Income tax rate and the effective Income tax rate | For the year ended March 31, 2023 |
|---|---|
| **Profit before tax** | **1,870.06** |
| Company's domestic tax rate | **25.17%** |
| Tax using the domestic tax rate | **470.66** |
| **Tax effect of/on:** | |
| Net expenses that are not deductible in determining taxable profit | **17.97** |
| Items which are taxed at different rates | **(34.83)** |
| Incomes which are exempt from tax | **(7.22)** |
| Loss of subsidiary | **0.14** |
| Others | **(0.03)** |
| **Total** | **(23.97)** |
| **Income Tax expense for the year** | **446.69** |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

### (d) Effective Tax Rate

| Particulars | For the year ended March 31, 2023 |
|---|---|
| Effective Tax Rate (%) | 23.89 |

### (e) Significant components and movement in deferred tax assets and liabilities:

₹ (in Crore)

| Particulars | As at April 01, 2022 | Expense/(Income) recognised | As at March 31, 2023 |
|---|---|---|---|
| **Deferred Tax Assets** | | | |
| - Property, Plant and Equipment & Other Intangible Assets (excluding ROU) | 9.57 | (1.42) | 10.99 |
| - Lease Liabilities | 27.59 | (5.24) | 32.83 |
| - Provision for Employee Benefits | 2.96 | (0.20) | 3.16 |
| - Others | 1.27 | (0.05) | 1.32 |
| **Total Deferred Tax Assets** | 41.39 | (6.91) | 48.30 |
| **Deferred Tax Liabilities** | | | |
| - Right of Use Asset | 24.71 | 4.92 | 29.63 |
| - Prepaid Employee Benefits | 2.06 | (0.93) | 1.13 |
| - Fair value gains/losses and impairment on Investments | 88.66 | 27.24 | 115.90 |
| - Others | 1.30 | 1.11 | 2.41 |
| **Total Deferred Tax Liabilities** | 116.73 | 32.34 | 149.07 |
| **Net Deferred Tax Assets/(Liabilities)** | (75.34) | 25.43 | (100.77) |

**Note:**

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Significant management judgement is required in determining provision for income tax, deferred tax assets and liabilities and recoverability of deferred tax assets. The recoverability of deferred tax assets is based on estimates of taxable income and the period over which deferred tax assets will be recovered. Any changes in future taxable income would impact the recoverability of deferred tax assets.





# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

## Note 26 Related Party Transactions

As per the Indian Accounting Standard on 'Related Party Disclosures' (Ind AS 24), the related parties of the Group with whom there have been transactions during the current year are as follows:

| Sr. No. | Relationship | Name of the Parties |
|---|---|---|
| 1 | Holding Company | Housing Development Finance Corporation Limited |
| 2 | Fellow Subsidiaries | HDFC Trustee Company Limited |
| | | HDFC Life Insurance Company Limited |
| | | HDFC ERGO General Insurance Company Limited |
| 3 | Investor with a significant influence | Abrdn Investment Management Limited (formerly known as Standard Life Investments Limited) |
| 4 | Other Related Parties | HDFC Bank Limited |
| | | HDFC Securities Limited |
| | | HDFC Asset Management Company Limited Employees' Group Gratuity Assurance Scheme |
| 5 | Key Managerial Personnel (KMP) | Deepak S. Parekh |
| | | Navneet Munot |
| | | Keki Mistry |
| | | Dhruv Kaji |
| | | Jairaj Purandare |
| | | Sanjay Bhandarkar |
| | | Parag Shah |
| | | Renu S. Karnad |
| | | Roshni Nadar Malhotra |
| | | Shashi Kant Sharma (up to April 11, 2022) |
| 6 | Key Managerial Personnel of Holding Company (except covered in Sr. No. 5) | V. Srinivasa Rangan |
| 7 | Relatives of Company's Key Managerial Personnel and Holding Company's Key Managerial Personnel | Smita Deepak Parekh |
| | | Aditya Deepak Parekh |
| | | Harsha Shantilal Parekh |
| | | Arnaaz Keki Mistry |
| | | Bharat Karnad |
| | | Ashok Sud |
| | | V. Jayam |
| | | S. Anuradha |
| | | Abinaya Rangan |
| | | Malav Ashwin Dani |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

The nature and volume of transactions of the Group during the current year with the above related parties were as follows:

### (a) Details of transactions

₹ (in Crore)

| Particulars | Holding Company | Fellow Subsidiaries | Investor with a Significant Influence | Other Related Parties |
|---|---|---|---|---|
| | March 31, 2023 | March 31, 2023 | March 31, 2023 | March 31, 2023 |
| **Income** | | | | |
| Interest on Deposits | - | - | - | 0.05 |
| **Expense** | | | | |
| Lease Rent | 11.98 | - | - | - |
| Bank Charges | - | - | - | 0.01 |
| Fees and Commission | - | - | - | 0.05 |
| Technology Support Cost | 1.90 | - | - | - |
| Administration & Other Expenses | 6.28 | - | - | - |
| Insurance Premium | - | 3.29 | - | - |
| Custodian Charges | - | - | - | 0.03 |
| **Other Transactions** | | | | |
| Equity Dividend | 471.16 | - | 145.23 | - |
| Contribution towards Gratuity Fund | - | - | - | 3.37 |
| **Asset** | | | | |
| Bank Balances | - | - | - | 3.87 |
| Fixed Deposits | - | - | - | 2.88 |
| Interest accrued on Fixed Deposit | - | - | - | 0.03 |
| Account Receivable | - | 2.71 | 0.84 | - |
| Prepaid Commission | - | - | - | 1.26 |
| Prepaid Insurance Premium | - | 0.03 | - | - |
| **Liability** | | | | |
| Account Payable | 6.60 | - | - | 0.31 |

**Notes:**

(i) During the FY 2019-20, the Company has entered into an agreement with Holding company for using the Trademark of Holding company wherein no monetary consideration is required to be paid as part of mutual consideration. The said agreement does not envisage a specific sum of monies to be paid as fees at present, which is consistent with the practice followed for the previous 20 years, based on the reciprocity of benefits to both parties to the transaction.

(ii) The Company provides the necessary operating and secretarial services, etc. to HDFC Trustee Company Limited to meet the operating and compliance requirements of the Company in line with SEBI (Mutual Funds) Regulations, 1996. The Company does not charge any amount in line with practice followed by the mutual fund industry.





# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

### (b) Details of remuneration to Company's KMPs

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| Short-term employee benefits # | 11.61 |
| Post employment benefits | 0.26 |
| Other long-term benefits | 0.07 |
| Share-based payment | 23.04 |
| Other Benefits | 0.05 |
| Directors Sitting Fees | 1.16 |
| Commission to Non-executive Directors * | 2.00 |
| **Total Remuneration** | **38.19** |

# During the FY 20-21, an amount of ₹12.46 Crore was paid to the incoming Managing Director as one time payment and the same is being amortised as per the terms of the contract. Out of the same, ₹4.15 Crore forms part of Short-term employee benefits above and the balance unamortised amount of ₹3.66 Crore as at March 31, 2023 is booked as prepaid under Other Non-financial Assets.

* Commission is approved by the Board of Directors within the limit as approved by the shareholders of the Company and will be paid post adoption of annual accounts by the shareholders.

### (c) Details of dividend paid to Company's KMPs

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| Dividend on Equity Shares | 2.08 |

### (d) Details of dividend paid to relatives of Company's KMPs, Holding Company's KMPs and relatives of Holding Company's KMPs

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| Dividend on Equity Shares | 0.01 |

## Note 27 Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing the profit after tax for the year attributable to equity shareholders of company by the weighted average number of equity shares outstanding during the year.

Diluted EPS is calculated by dividing the profit after tax for the year attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The relevant details as described above are as follows:

₹ (in Crore except equity share data)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| Profit after tax for the year | 1,423.37 |
| Weighted Average equity shares outstanding during the year | 21,33,25,802 |

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

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

₹

| Particulars | For the year ended March 31, 2023 |
|---|---|
| Nominal value per share | 5.00 |
| Basic earnings per share | 66.72 |
| Effect of potential equity shares for stock options (per share) | (0.01) |
| Diluted earnings per share | 66.71 |

| Particulars | For the year ended March 31, 2023 |
|---|---|
| Weighted average number of equity shares used in computing basic earnings per equity share | 21,33,25,802 |
| Effect of potential equity shares for stock options outstanding | 39,341 |
| Weighted average number of equity shares used in computing diluted earnings per equity share | 21,33,65,143 |
| Weighted average number of anti dilutive options not considered in computing diluted earnings per equity share | 6,49,167 |

## Note 28 Leases

A. The Group has entered into leasing arrangements for premises. Majority of the leases are cancellable by the Group. Right of Use asset has been included under the line 'Property, Plant and Equipment' and Lease liability has been included under 'Other Financial Liabilities' in the Consolidated Balance Sheet.

### (i) Amounts recognised in the Consolidated Balance sheet

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| (a) Right of Use assets (net) (Property, Plant and Equipment) | 117.71 |
| (b) Lease liabilities | |
| Current | 34.80 |
| Non-current | 95.67 |
| **Total Lease liabilities** | 130.47 |

| Particulars | For the year ended March 31, 2023 |
|---|---|
| (c) Additions to the Right of Use assets | 60.42 |

### (ii) Amounts recognised in the Consolidated Statement of Profit and Loss

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| (a) Depreciation charge for Right of Use assets | 36.90 |
| (b) Interest expense (included in finance cost) | 9.69 |
| (c) Expense relating to short-term leases | 0.38 |





# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

### (iii) Cash Flows

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| The total cash outflow of leases | 43.82 |

### (iv) Future Commitments

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Future undiscounted lease payments to which leases is not yet commenced | - |

### (v) Maturity analysis of undiscounted lease liability

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Less than 1 year | 43.11 |
| More than 1 year | 111.64 |
| **Total** | 154.75 |

(vi) All the future cash flows to which the lessee is potentially exposed are reflected in the measurement of lease liabilities.

(vii) The Group currently does not have any significant sale and lease back transactions.

### B. Finance Lease

### (i) The Company has provided vehicles to its certain employees which have been treated as finance leases.

₹ (in Crore)

| Quantitative Disclosures | For the year ended March 31, 2023 |
|---|---|
| Selling profit/(loss) | (0.01) |
| Finance income on the net investment in the lease | 0.53 |
| Lease income relating to variable lease payments not included in the measurement of the net investment in the lease | - |

### (ii) Significant changes in the carrying amount of the net investment in the lease

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| Lease receivables as at the beginning of the year | 4.05 |
| Add: Finance income on the net investment in the lease | 0.53 |
| Add: New leases entered during the year | 4.96 |
| Less: Lease payments received during the year | 2.59 |
| **Lease receivables as at the end of the year** | 6.95 |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

### (iii) The following table sets out a maturity analysis of lease receivables

₹ (in Crore)

| Maturity Analysis of the Lease payments Receivables | As at March 31, 2023 |
|---|---|
| Particulars | Minimum Lease payments receivables |
| Less than one year | 2.71 |
| One to two years | 2.56 |
| Two to three years | 2.08 |
| Three to four years | 0.56 |
| Four to five years | - |
| More than five years | - |
| **Total undiscounted lease payments receivable** | **7.91** |
| Less: unearned finance income | 0.96 |
| **Present value of lease receivables *** | **6.95** |

* Present Value of Rentals represent the Current Future Outstanding Principal

### (iv) Risk Management Framework for finance leases

The table represents categories of collaterals available against the finance lease exposures:

₹ (in Crore)

| Particulars | Collateral available | As at March 31, 2023 |
|---|---|---|
| Finance lease receivables | Hypothecation of the underlying car financed | 6.95 |

The Company has framed Car Policy to provide use of the Company owned car for the commute from residence to workplace, for the discharge of their official functions and for personal use to certain selected employees of the Company. As per the Car Policy of the Company, the car is registered in the name of the Company and will remain the property of the Company till it is duly transferred to employee in accordance with the Car Policy and after recovery of all lease receivables. In case of separation of employee from the Company, outstanding lease receivables are recovered/adjusted from employee's full and final settlement in accordance with the Car Policy.

## Note 29 Segment Information

### (a) Description of segments and principal activities

The Group is in the business of providing asset management services to HDFC Mutual Fund & alternative investment fund and portfolio management & advisory services to clients. The primary segment is identified as asset management services. As such, the Group's financial statements are largely reflective of the asset management business and accordingly there are no separate reportable segments as per Ind AS 108, Operating Segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM's function is to allocate the resources of the entity and assess the performance of the operating segment of the Group.





# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

### (b) Segment Revenue

The amount of its revenue from external customers broken down by location of the customers is shown in the table below:

₹ (in Crore)

| Revenue | For the year ended March 31, 2023 |
|---|---|
| Within India | 2,163.50 |
| Outside India | 3.31 |
| **Total** | **2,166.81** |

**(c)** All assets of the Group are domiciled in India.

### (d) Information about revenue from major customers

There is only one customer contributing in excess of 10% of the total revenue of the Group. The amounts for the same are as follows:

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| Revenue from HDFC Mutual Fund | 2,160.79 |

## Note 30 Contingent Liabilities and Commitments

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| (a) Contingent liabilities not provided for: | |
| Disputed Income Tax demand | 7.54 |
| (b) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | 53.42 |

## Note 31 Dividend Paid and Proposed

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| **Dividends on equity shares declared and paid during the year:** | |
| Final dividend | |
| Paid for the earlier financial year | 895.86 |
| Dividend per share for the earlier financial year (₹) | 42.00 |
| **Total dividend paid** | **895.86** |
| **Dividend on Equity Shares proposed by the Board of Directors for approval at Annual General Meeting (not recognised as a liability at the respective year end)** | |
| Final dividend for the same financial year | 1,024.44 |
| Dividend per share for the same financial year (₹) | 48.00 |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

## Note 32 Capital Management

Equity share capital and other equity are considered for the purpose of Company's capital management. The Company manages its capital in a manner which enables it to safeguard its ability to continue as a going concern and to optimise returns to the Shareholders. The capital structure of the Company is based on management's judgement of its strategic and day-to-day needs with a focus on total equity so as to maintain investor, creditors and market confidence. The funding requirements are met through operating cash flows and other equity. The management monitors the return on capital and the board of directors monitors the level of dividends paid to shareholders of the Company. The Company may take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

## Note 33 Financial Instruments

### A. Classification and Fair Values of Financial Assets & Liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

₹ (in Crore)

| Particulars | Carrying Amount | | | Fair Value | | | |
|---|---|---|---|---|---|---|---|
| As at March 31, 2023 | FVTPL | Amortised Cost | Total Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| **Financial Assets** | | | | | | | |
| Investments in:- | | | | | | | |
| Mutual Funds | 5,476.86 | - | 5,476.86 | 5,326.88 | 149.98 | - | 5,476.86 |
| Debt Securities | 7.41 | 417.94 | 425.35 | - | 440.71 | 7.41 | 448.12 |
| Equity Instrument in Others | 23.18 | - | 23.18 | - | - | 23.18 | 23.18 |
| Investment in Alternative Investment Funds | 127.57 | - | 127.57 | - | - | 127.57 | 127.57 |
| Investment in Venture Capital Fund | 23.20 | - | 23.20 | - | - | 23.20 | 23.20 |
| Trade & Other Receivables* | - | 194.98 | 194.98 | | | | 194.98 |
| Cash and Cash Equivalents* | - | 4.46 | 4.46 | | | | 4.46 |
| Other Bank Balances* | - | 2.57 | 2.57 | | | | 2.57 |
| Other Financial Asset* | - | 32.12 | 32.12 | | | | 32.12 |
| **Total** | **5,658.22** | **652.07** | **6,310.29** | **5,326.88** | **590.69** | **181.36** | **6,333.06** |
| **Financial Liabilities** | | | | | | | |
| Trade Payables* | - | 35.68 | 35.68 | | | | 35.68 |
| **Other Financial Liabilities** | | | | | | | |
| Lease Liabilities | - | 130.47 | 130.47 | - | 129.76 | - | 129.76 |
| Others* | - | 75.90 | 75.90 | | | | 75.90 |
| **Total Other Financial Liabilities** | **-** | **206.37** | **206.37** | **-** | **129.76** | **-** | **205.66** |
| **Total** | **-** | **242.05** | **242.05** | **-** | **129.76** | **-** | **241.34** |

*Fair value of cash and cash equivalents, other bank balances, trade & other receivables, other financial assets, trade payables and other financial liabilities approximate their carrying amounts largely due to current maturities of these instruments. Accordingly, fair value hierarchy for these financial instruments have not been presented above.

For the purpose of disclosure, quoted price is considered as the fair value of financial assets that are measured at amortised cost. However, they are shown under level 2 in the fair value hierarchy as they are thinly traded.





# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

### B. Fair value hierarchy

As per Ind AS 107, 'Financial Instruments: Disclosures', the fair values of the financial assets or financial liabilities are defined as the price that would be received on sale of asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and lowest priority to unobservable inputs.

The hierarchy used is as follows:

**Level 1 —** Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Investment in open ended Mutual Funds are included in Level 1.

**Level 2 —** Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Investment in close ended Mutual Funds and Debt Securities that are not traded in active market are included in Level 2.

**Level 3 —** Inputs are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Investment in unlisted Debt Securities, unlisted Equity Instruments, Alternative Investment Funds and Venture Capital Fund are included in Level 3.

### C. Valuation techniques used to determine fair value

| Financial instrument | Valuation technique |
|---|---|
| Mutual Funds | Net Asset Value (NAV) declared by the mutual fund at which units are issued or redeemed/quoted price |
| Debt Securities | Discounted cash flow based on present value of the expected future economic benefit |
| Equity Instruments in Others | Discounted cash flow based on present value of the expected future economic benefit and/or price of recent investment |
| Alternative Investment Funds and Venture Capital Fund | Net Asset Value (NAV) provided by issuer fund which is arrived at based on valuation from independent valuer for unlisted portfolio companies, quoted price of listed portfolio companies and price of recent investments |
| Lease Liabilities | Discounted cash flows based on present value of expected payments, discounted using a risk-adjusted discount rate |

In order to assess Level 3 valuations as per Investment policy, the management reviews the performance of the investee companies (including unlisted portfolio companies of venture capital funds and alternative investment funds) on a regular basis by tracking their latest available financial statements/financial information, valuation report of independent valuers, recent transaction results etc. which are considered in valuation process.

The finance department of the Company includes the team that performs the valuation of financial assets and liabilities required for financial reporting purposes, including level 3 fair value. The team reports directly to the Chief Financial Officer (CFO) of the Company. Discussions of valuation processes and results are held between the valuation team and the senior management at least once every three months which is in line with the Company's quarterly reporting periods.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

## D. Valuation inputs and relationship to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurement.

### As at March 31, 2023

| Financial Instrument | Significant unobservable inputs | Probability weights/range | Sensitivity of input to fair value measurement |
|---|---|---|---|
| Debt Securities | Valuation Factor | 10% - 20% | A 10% increase in the valuation factor would decrease the carrying value of investment by ₹0.74 Crore. A 10% decrease in the valuation factor would increase the carrying value of investment by ₹0.74 Crore. |
| Alternative Investment Funds | Net Asset Value (NAV) | 0.90x -1.10x | A 10% increase in the NAV would increase the carrying value of investment by ₹12.51 Crore. A 10% decrease in the NAV would decrease the carrying value of investment by ₹12.51 Crore. |
| Venture Capital Fund | Net Asset Value (NAV) | 0.90x -1.10x | A 10% increase in the NAV would increase the carrying value of investment by ₹2.32 Crore. A 10% decrease in the NAV would decrease the carrying value of investment by ₹2.32 Crore. |

## E. Fair value measurement using significant unobservable inputs (level 3)

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

₹ (in Crore)

| Particulars | Debt Securities | Equity Instrument in Others | Investment in Alternative Investment Funds | Investment in Venture Capital Fund | Total |
|---|---|---|---|---|---|
| **Balance as at April 01, 2022** | 6.98 | 22.85 | 115.70 | 23.11 | 168.64 |
| Net gain/(losses) on Financial Instruments recognised in the Consolidated Statement of Profit and Loss | 0.43 | - | 10.80 | 1.58 | 12.81 |
| Purchases of Financial Instruments | - | 0.33 | 9.14 | - | 9.47 |
| Sales of Financial Instruments | - | - | (8.07) | (1.49) | (9.56) |
| **Balance as at March 31, 2023** | 7.41 | 23.18 | 127.57 | 23.20 | 181.36 |

## F. Financial Risk Management

Risk management is an integral part of the business practices of the Group. The Group's primary focus is to foresee the unpredictability of financial markets and seek to minimise potential adverse effects on its financial performance. The financial risks are managed in accordance with the risk management policy which has been approved by the Board of Directors. The Company's Board of Directors has overall responsibility for managing the risk profile of the Company. The purpose of risk management is to identify potential problems before they occur, so that risk-handling activities may be planned and invoked as needed to manage adverse impacts on achieving objectives.

The Audit Committee of the Company reviews the development and implementation of the risk management policy of the Company on periodic basis. The Audit Committee provides guidance on the risk management activities, review the results of the risk management process and reports to the Board of Directors on the status of the risk management initiatives.





# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

The Group has exposure to the following risks arising from Financial Instruments:

| Risk | Exposure arising from |
|---|---|
| Credit Risk | Cash and cash equivalents, other bank balances, trade & other receivables, financial assets measured at amortised cost |
| Liquidity Risk | Financial liabilities |
| Market Risk - Foreign Exchange | Recognised financial assets not denominated in ₹ |
| Market Risk - Interest Rate | Investments in debt securities |
| Market Risk - Price | Investments in equity securities, units of mutual funds, debt securities measured at FVTPL, venture capital fund and alternative investment funds |

### i. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade and other receivables, cash and cash equivalents, and financial assets measured at amortised cost.

Exposure to credit risk is mitigated through regular monitoring of collections, counterparty's creditworthiness and diversification in exposure.

#### Exposure to credit risk

The carrying amount of financial assets represents maximum amount of credit exposure. The maximum exposure to credit risk is as per the table below, it being total of carrying amount of cash and cash equivalent, other bank balances, trade and other receivables and financial assets measured at amortised cost.

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Maximum exposure to credit risk | 652.07 |

#### Expected Credit Loss (ECL) on Financial Assets

The Group continuously monitors all financial assets subject to ECLs. In order to determine whether an instrument is subject to 12 month ECL (12mECL) or life time ECL (LTECL), the Group assesses whether there has been a significant increase in credit risk or the asset has become credit impaired since initial recognition. The Group applies following quantitative and qualitative criteria to assess whether there is significant increase in credit risk or the asset has been credit impaired:

- Historical trend of collection from counterparty
- Group's contractual rights with respect to recovery of dues from counterparty
- Credit rating of counterparty and any relevant information available in public domain

ECL is a probability weighted estimate of credit losses. It is measured as the present value of cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with contract and the cash flows that the Group expects to receive).

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

The Group has three types of financial assets that are subject to the expected credit loss:

- Trade & other receivables
- Cash and cash equivalents and other bank balances
- Investment in debt securities measured at amortised cost

### Trade and Other Receivables

Exposures to customers' outstanding at the end of each reporting period are reviewed by the Group to determine incurred and expected credit losses. Historical trends of collection from counterparties on timely basis reflects low level of credit risk. As the Group has a contractual right to such receivables as well as control over preponderant amount of such funds due from customers, the Group does not estimate any credit risk in relation to such receivables. Further, management believes that the unimpaired amounts that are past due by more than 180 days are still collectible in full, based on historical payment behaviour.

### Cash and Cash Equivalents and Other Bank Balances

The Group holds cash and cash equivalents and other bank balances as per note 4 and 5. The credit worthiness of such banks and financial institutions is evaluated by the management on an ongoing basis and is considered to be high.

### Investment in Debt Securities measured at amortised cost

The Group has made investments in tax free bonds. Funds are invested after taking into account parameters like safety, liquidity and post tax returns etc. The Group avoids concentration of credit risk by spreading them over several counterparties with good credit rating profile and sound financial position. The Group's exposure and credit ratings of its counterparties are monitored on an ongoing basis.

Investment in debt securities that are in tax free government bonds do not carry any credit risk, being sovereign in nature. Credit risk from other financial assets has not increased significantly since initial recognition. Accordingly, the expected probability of default is low.

### ii. Liquidity Risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group on acceptable terms.

To limit this risk, management has adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a regular basis. The Group has developed internal control processes for managing liquidity risk.

The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Group assesses the liquidity position under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group.





# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

### Exposure to Liquidity Risk

The table below analyses the Group's financial liabilities into relevant maturity pattern based on their contractual maturities for all financial liabilities.

₹ (in Crore)

| As at March 31, 2023 | Carrying amount | Contractual Cash Flows | | |
|---|---|---|---|---|
| | | Total | 1 year or less | More than 1 year |
| **Financial Liabilities** | | | | |
| Trade Payables | 35.68 | 35.68 | 35.68 | - |
| Lease Liability (remaining contractual maturities) | 130.47 | 154.75 | 43.11 | 111.64 |
| Other Financial Liabilities (excluding Lease Liability) | 75.90 | 75.90 | 75.90 | - |
| **Total** | **242.05** | **266.33** | **154.69** | **111.64** |

### iii. Market Risk

Market risk is the risk of loss of future earnings, fair values or future cash flows related to financial instrument that may result from adverse changes in market rates and prices (such as foreign exchange rates, interest rates, other prices). The Group is exposed to market risk primarily related to currency risk, interest rate risk and price risk.

### Currency Risk

The Group has insignificant amount of foreign currency denominated assets. Accordingly, the exposure to currency risk is insignificant.

### Interest Rate Risk

The Group's investments are primarily in fixed rate interest instruments. Accordingly, the exposure to interest rate risk is also insignificant.

### Price Risk

Price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices and related market variables including interest rate for investments in debt oriented mutual funds and debt securities, whether caused by factors specific to an individual investment, its issuer or the market. The Group's exposure to price risk arises from investments in equity securities, debt securities, units of mutual funds, venture capital fund and alternative investment funds which are classified as financial assets at Fair Value Through Profit and Loss and is as follows:

₹ (in Crore)

| Particulars | As at March 31, 2023 |
|---|---|
| Exposure to price risk | 5,658.22 |

To manage its price risk from investments in equity securities, debt securities, units of mutual funds, venture capital fund and alternative investment funds, the Group diversifies its portfolio.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

### Sensitivity Analysis

The table below sets out the effect on profit or loss and equity due to reasonable possible weakening/strengthening in prices of 5%:

₹ (in Crore)

| Particulars | For the year ended March 31, 2023 |
|---|---|
| **Effect on Profit and Loss** | |
| 5% increase in the prices | 282.91 |
| 5% decrease in the prices | (282.91) |

### Note 34 Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

₹ (in Crore)

| Particulars | As at March 31, 2023 | | |
|---|---|---|---|
| | Within 12 months | After 12 months | Total |
| **Assets** | | | |
| **Financial Assets** | | | |
| Cash and Cash Equivalents | 4.46 | - | 4.46 |
| Bank Balance other than above | 2.57 | - | 2.57 |
| **Receivables** | | | |
| (i) Trade Receivables | 183.74 | - | 183.74 |
| (ii) Other Receivables | 7.00 | 4.24 | 11.24 |
| Investments | 1,104.71 | 4,971.45 | 6,076.16 |
| Other Financial Assets | 20.22 | 11.90 | 32.12 |
| **Sub-total - Financial Assets** | 1,322.70 | 4,987.59 | 6,310.29 |
| **Non-financial Assets** | | | |
| Current Tax Assets (net) | - | 30.46 | 30.46 |
| Property, Plant and Equipment | - | 137.59 | 137.59 |
| Intangible Assets Under Development | - | 2.14 | 2.14 |
| Goodwill | - | 6.04 | 6.04 |
| Other Intangible Assets | - | 6.84 | 6.84 |
| Other Non-financial Assets | 37.63 | 5.15 | 42.78 |
| **Sub-total - Non-financial Assets** | 37.63 | 188.22 | 225.85 |
| **Total Assets** | 1,360.33 | 5,175.81 | 6,536.14 |
| **Liabilities** | | | |
| **Financial Liabilities** | | | |
| **Payables** | | | |
| Trade payables | | | |
| (i) Total Outstanding Dues of Micro Enterprises and Small Enterprises | 0.05 | - | 0.05 |
| (ii) Total Outstanding Dues of Creditors other than Micro Enterprises and Small Enterprises | 35.63 | - | 35.63 |
| **Other Financial Liabilities** | 110.69 | 95.68 | 206.37 |
| **Sub-total - Financial Liabilities** | 146.37 | 95.68 | 242.05 |





# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

₹ (in Crore)

| Particulars | As at March 31, 2023 | | |
|---|---|---|---|
| | Within 12 months | After 12 months | Total |
| **Non-financial Liabilities** | | | |
| Current Tax Liabilities (net) | 18.39 | - | 18.39 |
| Provisions | 1.62 | 10.95 | 12.57 |
| Deferred Tax Liabilities (net) | - | 100.77 | 100.77 |
| Other Non-financial Liabilities | 54.54 | - | 54.54 |
| **Sub-total - Non-financial Liabilities** | 74.55 | 111.72 | 186.27 |
| **Total Liabilities** | 220.92 | 207.40 | 428.32 |

### Note 35 Additional Information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the Companies Act, 2013

₹ (in Crore)

| Name of the entity in the Group | As at March 31, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Net Assets i.e. total assets minus total liabilities | | Share in profit or loss | | Share in other comprehensive income | | Share in total comprehensive income | |
| | As % of Consolidated net assets | Amount | As % of Consolidated profit or loss | Amount | As % of consolidated other comprehensive income | Amount | As % of total comprehensive income | Amount |
| **Parent** | | | | | | | | |
| HDFC Asset Management Company Limited | 99.94 | 6,104.06 | 100.04 | 1,423.92 | 110.53 | 0.42 | 100.04 | 1,424.34 |
| **Indian Subsidiaries** | | | | | | | | |
| HDFC AMC International (IFSC) Limited | 0.06 | 3.76 | (0.04) | (0.55) | (10.53) | (0.04) | (0.04) | (0.59) |
| Non-controlling interest in subsidiary | - | - | - | - | - | - | - | - |
| **Total** | 100.00 | 6,107.82 | 100.00 | 1,423.37 | 100.00 | 0.38 | 100.00 | 1,423.75 |

### Note 36 Statutory disclosure required as per Schedule III Division III of the the Companies Act, 2013

**(i) Relationship with Struck off Companies**

The transactions with the companies struck off under Section 248 of Companies Act, 2013 or Section 560 of Companies Act, 1956 are disclosed below:

| Sr No. | Name of struck off Company | Nature of transactions with struck-off Company | As at March 31, 2023 | | |
|---|---|---|---|---|---|
| | | | Transaction during the year | Balance outstanding | Relationship with the Struck off company |
| 1 | Vitalink Wealth Advisory Services Private Limited | Shares held by struck off company (no.) | - | 13 | None |
| | | Dividend paid during the year (₹) | 546 | - | None |

**(ii)** The Group is in compliance with number of layers of companies, as prescribed under clause (87) of Section 2 of the Act read with the Companies (Restriction on number of Layers) Rules, 2017.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2023

**(iii)** The Group does not have any transactions which were not recoded in the books of accounts, but offered as income during the year in the income tax assessment.

**(iv)** The Group has not traded or invested in Crypto currency or Virtual Currency during the financial year.

**(v)** No funds have been advanced/loaned/invested (from borrowed funds or from share premium or from any other sources/kind of funds) by the Group to any other person(s) or entity(ies), including foreign entities (Intermediaries), with the understanding (whether recorded in writing or otherwise) that the Intermediary shall (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Group (Ultimate Beneficiaries) or (ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.

No funds have been received by the Group from any person(s) or entity(ies), including foreign entities (Funding Parties), with the understanding (whether recorded in writing or otherwise) that the Group shall (i) directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or (ii) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

## Note 37

The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Group will assess the impact of the Code when it comes into effect and will record any related impact in the period in which the Code becomes effective.

As per our report attached of even date

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

**Kapil Goenka**
Partner
Membership No. 118189

Mumbai, April 25, 2023

For and on behalf of the Board of Directors

**Deepak S. Parekh**
Chairman
(DIN: 00009078)

**Navneet Munot**
Managing Director & Chief Executive Officer
(DIN: 05247228)

**Naozad Sirwalla**
Chief Financial Officer

**Sylvia Furtado**
Company Secretary
(ACS: 17976)

HDFC
ASSET MANAGEMENT COMPANY LIMITED

**HDFC Asset Management Company Limited**
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