

Ref/No/HDFCAMC/SE/2020-21/33

Date- June 27, 2020

National Stock Exchange of India Limited Exchange Plaza, Plot C/1, Block G, Bandra Kurla Complex, Bandra (East) Mumbai – 400051 Kind Attn: Head – Listing Department	BSE Limited Sir PJ Towers, Dalal Street, Mumbai – 400001 Kind Attn: Sr. General Manager – DCS Listing Department
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Sub: Notice of the 21st Annual General Meeting (AGM) and Annual Report 2019-20

Dear Sir/Madam,

This is further to our letter dated June 18, 2020, wherein the Company had informed that the Annual General Meeting (AGM) of the Company is scheduled to be held on July 23, 2020.

Please find enclosed herewith Notice of the 21st AGM and the Annual Report for the financial year 2019-20 (Annual Report) for your information and records. Kindly note that in accordance with MCA circulars dated May 5, 2020, April 8, 2020 and April 13, 2020, the Notice of the 21st AGM and Annual Report are sent by email to those Members whose email addresses are registered with the Depository Participant(s)/ Registrar & Share Transfer Agent. The requirements of sending physical copy of the Notice of the AGM and Annual Report to the Members have been dispensed with vide said MCA Circulars and SEBI Circular dated May 12, 2020. 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 July 16, 2020 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 Thursday, July 23, 2020 at 2.30 p.m. (IST) at Rama & Sundri Watumall Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai – 400 020 and through Video Conferencing (VC) / Other Audio Visual Means (OAVM). In the event the Company is not able to hold physical AGM due to non-receipt of necessary permissions/approvals from the relevant authorities, participation of the Members at the AGM would be only through VC / OAVM.

This is for your information and records.

Thanking you,

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

Sylvia Furtado
Company Secretary

Encl: as above

HDFC Asset Management Company Limited

A Joint Venture with Standard Life Investments

CIN: L65991MH1999PLC123027

Registered Office : "HDFC House", 2ndFloor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai-400 020
Tel.: 022 - 6631 6333 Fax: 022 - 6658 0203 Website: www.hdfcfund.com email: shareholders.relations@hdfcfund.com



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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

Notice is hereby given that the Twenty-First Annual General Meeting of the Members of HDFC Asset Management Company Limited ("the Company") will be held on Thursday, July 23, 2020, at 2.30 p.m. (IST) at Rama & Sundri Watumull Auditorium, K. C. College, Dinshaw Wacha Road, Churchgate, Mumbai - 400020 and through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM"), to transact the following business:

ORDINARY BUSINESS:

Item No. 1: Adoption of financial statements

To receive, consider and adopt the audited financial statements of the Company for the financial year ended March 31, 2020 and the Reports of the Board of Directors and Auditors thereon.

Item No. 2: Declaration of Dividend

To declare a dividend of ₹ 28/- per equity share for the financial year ended March 31, 2020.

Item No. 3: Re-appointment of Mr. James Aird

To appoint a director in place of Mr. James Aird (DIN 01057384), who retires by rotation and being eligible, seeks re-appointment.

Item No. 4: Re-appointment of Mr. Deepak Parekh

To appoint a director in place of Mr. Deepak Parekh (DIN 00009078), who retires by rotation and being eligible, seeks re-appointment.

Item No. 5: Authority to Board of Directors to fix remuneration of M/s. B S R & Co. LLP, Chartered Accountants, Statutory Auditors

To authorize the Board of Directors of the Company to fix remuneration of M/s. B S R & Co. LLP, Chartered Accountants, Statutory Auditors of the Company from the financial year 2020-21 up to their remaining term.

SPECIAL BUSINESS:

Item No. 6: Approval for appointment of Mr. Shashi Kant Sharma as an Independent Director

To consider and if thought fit, to pass the following resolution as an Ordinary 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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), including any statutory modification or re-enactment thereof for the time being in force, Mr. Shashi Kant Sharma (DIN: 03281847), who has given his consent for appointment as an Independent Director of the Company and has also submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and the Listing Regulations and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company for a term of 5 (five) consecutive years with effect from October 26, 2019 up to October 25, 2024, not liable to retire by rotation."

Item No. 7: Approval for issuance of equity shares under Employees Stock Option Scheme – 2020 to the employees and directors 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 Section 62(1)(b) and other applicable provisions, if any, of the Companies Act, 2013 and the rules framed there under, the relevant provisions of Securities and Exchange Board of India (SEBI) (Share Based Employee Benefits) Regulations, 2014 and Circular No. CIR/CFD/POLICY CELL/2/2015 dated June 16, 2015 issued by SEBI (collectively referred to as SEBI ESOP Regulations) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory amendment(s), modification(s) or re-enactment(s) of any of them for the time being in force), the relevant provisions of the Memorandum and Articles of Association of the Company and subject to such other rules, regulations and guidelines that may be issued by SEBI and/or such other authorities, from time to time, the consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include the Nomination & Remuneration Committee duly constituted by the Board which shall be treated as the Compensation Committee in accordance with Regulation 5 of the SEBI (Share Based Employee Benefits) Regulations, 2014) to introduce 'Employees Stock Option Scheme - 2020' ("**ESOS - 2020**") and to create, issue, offer and allot, from time to time, equity shares of the aggregate nominal face value not exceeding ₹ 1,60,00,000 (Rupees one crore sixty

lakhs only) represented by 32,00,000 (Thirty two lakh only) equity shares of ₹ 5 each of the Company, fully paid (or such adjusted numbers for any bonus, stock splits or consolidation or other re-organisation of the capital structure of the Company as may be applicable, from time to time) to the present and future permanent employees and directors of the Company (to the extent and in the manner as may be permissible under the relevant provisions of the Companies Act, 2013, rules made thereunder, SEBI ESOP Regulations and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015), whether working in India or abroad, under ESOS – 2020 in terms of this resolution and on such terms and conditions and in such tranches and series as may be decided by the Board, in its sole and absolute discretion in accordance with the ESOS - 2020 and in due compliance with applicable law or regulations/ guidelines issued by relevant authority(ies)."

"RESOLVED FURTHER THAT without prejudice to the generality of the above but subject to the terms mentioned in the explanatory statement to this resolution, which are hereby approved by the Members, or any amendment or modification thereof, the Board be and is hereby authorised to make modifications, changes, variations, alterations or revisions in the terms and conditions of ESOS – 2020, from time to time, as it may in its sole and absolute discretion decide, subject to the conformity with the SEBI ESOP Regulations and clarifications issued in this regard."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to decide on the number of options to be granted to each of the employees and directors of the Company, to the extent and in the manner as may be permissible under the relevant provisions of the Companies Act, 2013, rules made there under and SEBI ESOP Regulations."

"RESOLVED FURTHER THAT subject to the terms stated herein, the equity shares allotted pursuant to this resolution shall rank pari passu inter se and with the then existing equity shares of the Company, in all respects."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in relation to the formulation and implementation of ESOS – 2020 and to the shares (including to amend or modify any of the terms thereof) issued herein without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings

as may be deemed necessary, expedient and incidental thereto and to delegate all or any of its powers herein conferred to any Committee of Directors and/or director(s) and/ or officer(s) of the Company, to give effect to this resolution."

Item No. 8: Approval for re-appointment of Mr. Milind Barve as Managing Director of the Company

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

"RESOLVED THAT pursuant to the recommendation of Nomination & Remuneration Committee and approval of the Board of Directors of the Company, and in accordance with the provisions of Sections 196, 197, 198, 203 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the consent of the members of the Company be and is hereby accorded to the re-appointment of Mr. Milind Barve (DIN: 00087839) as the Managing Director of the Company, not liable to retire by rotation, for a further period effective from November 1, 2020 upto January 31, 2021 on the terms and conditions including remuneration as set out in the Explanatory Statement annexed to this Notice convening this meeting with the authority to the Board of Directors and/or the Nomination & Remuneration Committee, to alter and vary the terms and conditions of the said re-appointment and/ or enhance, enlarge, alter or vary the scope and quantum of remuneration, perquisites, allowances, benefits and amenities payable to him in accordance with the provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force)."

"RESOLVED FURTHER THAT the Board of Directors and / or the Nomination & Remuneration Committee be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable, including obtaining any approvals – statutory, contractual or otherwise, in relation to the above and execute all such agreements, documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors or Director(s) to give effect to the aforesaid resolution."

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

Sylvia Furtado
Company Secretary
Membership No. A17976

Mumbai, June 11, 2020

NOTES:

1. **The Company believes that Annual General Meeting (AGM) is a forum which provides the shareholders an opportunity to interact with the Board of Directors of the Company, auditors and the senior management, which helps in ensuring and safeguarding the corporate democracy. The Ministry of Corporate Affairs (MCA) has permitted companies to convene AGM through VC / OAVM instead of holding a physical meeting. However, the Board of Directors of the Company has decided to hold a physical AGM, subject to obtaining necessary permissions/ approvals from the relevant authorities.**

In terms of the circular issued by the MCA on May 5, 2020 read with the circulars issued on April 8, 2020 and April 13, 2020 (hereinafter collectively referred to as 'MCA circulars'), the Company would also be providing VC / OAVM in order to provide an opportunity to all its Members to participate in the AGM.

In the event that the Company is not able to hold physical AGM due to non-receipt of necessary permissions/ approvals from the relevant authorities, necessary public notice(s) will be issued in this regard to the Members to communicate the same. Further, in such circumstance the participation of the Members at the AGM would be only through VC / OAVM. Pursuant to the MCA Circulars if the AGM is conducted only through VC / OAVM, physical attendance of Members will be dispensed with and accordingly, the facility for appointment of proxies by the Members will not be available for the AGM.

A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING MAY APPOINT A PROXY/ PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/ HERSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.

A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent (10%) of the total share capital of the Company carrying voting rights. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such member may appoint a single person as proxy and such proxy shall not act as a proxy for any other person or member.

A Proxy form is annexed to this Notice. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolution/authority, as applicable. The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed, stamped and signed, not less than 48 hours before the commencement of the meeting.

If a person is appointed as Proxy for more than fifty (50) Members, he shall choose any fifty (50) Members and confirm the same to the Company 24 hours before the commencement of the AGM. In case, the Proxy fails to do so, the Company shall consider only the first fifty proxies received in respect of such person as valid. Any unstamped or inadequately stamped Proxy Forms or Proxy Forms upon which the stamps have not been cancelled will be treated as invalid.

Members/ Proxies / Authorised Representative should bring the Attendance Slip to the Meeting duly filled in for attending the Meeting.

2. In case of joint holders, only such joint holder who is higher in the order of names as per the Register of Members or in the register of beneficial owners maintained by the depositories of the Company, will be entitled to vote at the AGM.
3. An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 (the Act), setting out material facts relating to business under item numbers 5 to 8 to be transacted at the meeting, is annexed hereto and forms part of this Notice.
4. Information with regard to Mr. James Aird, Mr. Deepak Parekh, Mr. Shashi Kant Sharma and Mr. Milind Barve, as stipulated under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (Listing Regulations) and the applicable Secretarial Standard, is annexed hereto. Requisite declarations have been received from the Directors seeking their appointment / re-appointment.
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 on a show of hands at the AGM.
6. Members attending the AGM physically as well as through VC / OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
7. A dividend of ₹ 28/- per equity share has been recommended by the Board of Directors for the financial year ended March 31, 2020, subject to the approval of the members at this Meeting. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, July 11, 2020 to Thursday, July 23, 2020 (both days inclusive) for determining the entitlement of the members to the dividend, if declared, for financial year ended March 31, 2020.
8. Members holding shares in physical form are requested to note that except in case of transmission or transposition of securities, requests for effecting transfer of securities shall not be processed unless the securities are held in

dematerialized form with a depository. Members holding shares in physical form are requested to dematerialize their holdings at the earliest as it will not be possible to transfer shares held in physical form.

9. Members holding shares in physical form are requested to promptly notify in writing any change in their address, details relating to nomination, email address, mobile number etc. to M/s. KFin Technologies Private Limited (Formerly known as Karvy Fintech Private Limited), Registrar and Share Transfer Agent ("KFinTech").
10. Members holding shares in electronic form are requested to provide their email address and bank details to their Depository Participant(s) (DP), in case the same are not updated.
11. Members are requested to note that in terms of the Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018 issued by SEBI and as amended, the Members are requested to update their PAN and bank account details with KFinTech (in case of physical holding) and with the DP (in case of dematerialised holding).
12. Dividend as recommended by the Board of Directors, if declared at the AGM, shall be dispatched / remitted commencing from the day after the AGM i.e. July 24, 2020.
13. Members holding shares in demat form are hereby informed that bank particulars registered with their respective Depository Participants, 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 Depository Participant(s) of the Members.
14. Members holding shares in physical form are requested to intimate any change or updation of bank mandate to KFinTech immediately by sending a request on email at einward.ris@kfintech.com. 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 upon normalisation of the postal services, dispatch the dividend warrant / demand drafts to such shareholders.
15. Pursuant to Finance Act, 2020, dividend income will be taxable in the hands of shareholders w.e.f. April 1, 2020 and the Company is required to deduct tax at source from dividend paid to shareholders at the prescribed rates. For the prescribed rates for various categories, the

shareholders are requested to refer to the Finance Act, 2020 and amendments thereof.

A Resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No. 15G/15H, to avail the benefit of non-deduction of tax at source by accessing <https://ris.kfintech.com/form15/default.aspx> or sending an email to einward.ris@kfintech.com. Shareholders are requested to note that in case their PAN is not registered, the tax will be deducted at a higher rate of 20%.

Non-resident shareholders can avail beneficial rates under tax treaty between India and their country of residence, subject to providing necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, self declaration and any other document which may be required to avail the tax treaty benefits by accessing <https://ris.kfintech.com/form15/default.aspx> or sending an email to einward.ris@kfintech.com.

The aforesaid declarations and documents need to be submitted by the shareholders latest by July 9, 2020.

16. Pursuant to the provisions of Sections 124 and 125 of the Act, there is no amount of Dividend remaining unclaimed / unpaid for a period of seven (7) years and/or unclaimed Equity Shares which are required to be transferred to the Investor Education and Protection Fund (IEPF).
17. Pursuant to Section 72 of the Act, 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 SH-13. Members holding shares in the dematerialized form may contact their Depository Participant for recording the nomination in respect of their holdings.
18. All documents, transmission, transposition, dematerialization requests and other communications in relation thereto should be addressed directly to the Company's Registrar & Share Transfer Agent, KFinTech at the address mentioned below:

KFin Technologies Private Limited
(Formerly Karvy Fintech Private Limited)
Unit: HDFC Asset Management Company Limited
Selenium Tower B, Plot 31-32, Gachibowli,
Financial District, Nanakramguda,
Serilingampally, Hyderabad – 500 032
Ph: +91 40 6716 2222; 67161512; Fax No. +91 40 23431551
Toll Free no.: 1800-345-4001
Email: einward.ris@kfintech.com

19. Pursuant to provisions of the Listing Regulations, the Company is maintaining an email ID, shareholders.relations@hdfcfund.com exclusively for prompt redressal of members/ investors grievances.
20. In compliance with the aforesaid MCA Circulars and SEBI circular dated May 12, 2020, Notice of the AGM along with the Annual Report 2019-20 are being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories. Members may note that the Notice and Annual Report 2019-20 will also be available on the Company's website 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.karvy.com/>
21. Statutory Registers, certificate from Auditors of the Company certifying that the ESOP Schemes of the Company are being implemented in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014 and all the documents referred to in the accompanying Notice and Explanatory Statements shall be available for inspection through electronic mode, basis the request being sent on shareholders.relations@hdfcfund.com.
22. Route Map showing directions to reach to the venue of the AGM is annexed as per the requirement of the Secretarial Standards - 2 on "General Meetings". Pursuant to Regulation 44(6) of SEBI Listing Regulations, the Company shall provide live webcast of proceedings of AGM from 2.30 p.m. onwards on 23rd July, 2020. Members can view the proceedings of AGM by logging on to the e-voting website of Kfintech at <https://evoting.karvy.com/> using their remote e-voting credentials, where the E-voting Event Number ("EVEN") of Company will be displayed.
23. Instructions for E-voting and joining AGM through VC/ OAVM:

Pursuant to the provisions of Section 108 of the Act, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended and the provisions of Regulation 44 of the Listing Regulations, 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. on July 19, 2020 and will end at 5.00 p.m. on July 22, 2020.

In addition to the above, those Members, who will be present in the AGM physically or through VC / OAVM facility and have not cast their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system during the AGM.

The Company has appointed Mr. Surjan Singh Rauthan (C.P. 3233) Proprietor of S. S. Rauthan & Associates, Practising Company Secretaries to act as the Scrutinizer, 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

- (A) Members whose email IDs are registered with the Company/ Depository Participant(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://evoting.karvy.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 shall 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 Scrutinizer at email id ssraithan@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/Depository Participant(s), and consequently the Annual Report, Notice of AGM and e-voting instructions cannot be serviced, will have to follow the following process:

- i. 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://karisma.kfintech.com/emailreg>. 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.

- ii Alternatively, member may send an e-mail request at the email id einward.ris@kfintech.com along with scanned copy of the signed copy of the 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.
- iii. After receiving the e-voting instructions, please follow all steps from Sl. No. (i) to (xii) above to cast your vote by electronic means.

(C) Voting during AGM:

Only those Members, who will be present at the AGM including through VC/ OAVM and have not cast their vote through remote e-Voting are eligible to vote through e-Voting in the AGM. However, members who have voted through Remote e-Voting will be eligible to attend the AGM.

A Member can opt for only single mode of voting i.e. through Remote e-voting or voting during AGM. If a Member casts votes by both modes then voting done through Remote e-voting shall prevail and vote during the AGM shall be treated as invalid.

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

OTHER INSTRUCTIONS

- a. 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.karvy.com> (KFintech Website) or contact Ms. Krishna Priya Maddula of KFintech, at evoting@kfintech.com or phone no. 040 – 6716 1512 or call KFintech's toll free No. 1800-3454-001 for any further clarifications.
- b. You can also update your mobile number and email id in the user profile details of the folio which may be used for sending future communication(s).
- c. The Members, whose names appear in the Register of Members / list of Beneficial Owners as on Thursday, July 16, 2020, being the cut-off date, are 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(s) is cast by the Member, the Member shall not be allowed to change it subsequently.

- d. 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 EVEN Number+Folio No. or DP ID Client ID to 9212993399

Example for NSDL:
MYEPWD <SPACE> IN12345612345678

Example for CDSL:
MYEPWD <SPACE> 1402345612345678

Example for Physical:
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.karvy.com>, the member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.
 - iii. Member may call KFinTech's toll free number 1800-3454-001.

Member may send an e-mail request to evoting@kfintech.com. However, KFinTech shall endeavour to send User ID and Password to those new Members whose mail ids are available.
24. Instructions for the Members for attending the AGM through VC / OAVM:
- i. Members 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 remote e-voting credentials. 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.

Members will be able to attend the AGM through VC / OAVM or view the live webcast of AGM at <https://evoting.karvy.com/> by using their remote e-voting login credentials and selecting the EVEN for Company's AGM.

Further, Members can also use the OTP based login for logging into the e-voting system.
 - ii. Facility for joining AGM through 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, Internet Explorer, Microsoft Edge or Mozilla Firefox 22. Members will be required to grant access to the web-cam 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.
 - iv. 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 Friday, 17th July, 2020 shall only be considered and responded during the AGM.
 - v. The Members may register themselves as speakers for the AGM to express their views by visiting <https://emeetings.kfintech.com> and click on 'Speaker Registration' during the remote e-voting period. Members shall be provided a 'queue number' before the AGM. 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.
 - vi. 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. Facility of joining the AGM through VC / OAVM shall be available for atleast 1000 members on first come first served basis.
 - viii. Institutional Members are encouraged to attend and vote at the AGM through VC / OAVM.
 - ix. Members who may require any technical assistance or support before or during the AGM are requested to contact KFinTech at toll free number 1800-3454-001 or write to them at evoting@kfintech.com.

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

ITEM NO. 5

This Explanatory Statement is provided on a voluntary basis.

M/s. B S R & Co. LLP, Chartered Accountants, having registration number 101248W/W-100022, were appointed as Statutory Auditors of your Company at the 18th Annual General Meeting (AGM) of the Company held on May 26, 2017, for a term of five consecutive years which is valid till 23rd AGM of the Company. As per the provisions of Section 139 of the Companies Act, 2013, the appointment of Auditors was required to be ratified by Members at every AGM. However, in accordance with the provisions of the Companies (Amendment) Act, 2017 enforced on May 07, 2018 by the Ministry of Corporate Affairs, the appointment of Statutory Auditors is not required to be ratified at every AGM. Post the said amendment in the Companies Act, 2013, the Company is not required to seek ratification of the Members to the appointment of M/s. B S R & Co. LLP, Chartered Accountants as Statutory Auditors, and therefore has not sought the same.

Approval is sought from the Members to authorize the Board of Directors of the Company to fix the remuneration (plus taxes and out of pocket expenses) payable to Statutory Auditors from the financial year 2020-21 up to their remaining term as may be deemed fit by the Board of Directors and do all such acts, things and take all such steps as may be necessary, proper or expedient to give effect to the above.

The Board, accordingly, recommends the passing of the ordinary resolution as set out at Item No. 5 of this Notice, for the approval of the Members.

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 resolution as set out at Item No. 5 of this Notice.

ITEM NO. 6

The Board of Directors of the Company at its meeting held on October 25, 2019, based on the recommendation of Nomination & Remuneration Committee, appointed Mr. Shashi Kant Sharma (DIN: 03281847), as an Additional Director (Independent Director) of the Company with effect from October 26, 2019. Pursuant to the provisions of Section 161 of the Companies Act, 2013 ("the Act"), Mr. Sharma holds office up to the date of AGM of the Company and is eligible to be appointed as director.

The Company has received notice in writing under the provisions of Section 160 of the Act from a Member proposing the candidature of Mr. Sharma as an Independent Director of

the Company under Section 149 of the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

The Board of Directors of the Company at its meeting held on October 25, 2019, appointed Mr. Shashi Kant Sharma as an Independent Director of the Company for a term of five consecutive years with effect from October 26, 2019, subject to the approval of the Members.

The profile and other details of Mr. Sharma are set out in the Annexure to the Notice.

The Company has also received declaration from him confirming that he meets the criteria of independence as prescribed under Section 149(6) of the Act and the Listing Regulations. Mr. Sharma is not related to any other Director or Key Managerial Personnel of the Company.

He has also confirmed that he is not disqualified from being appointed as Director in terms of Section 164 of the Act and has given his consent to act as Director of the Company. In the opinion of the Board of Directors, Mr. Sharma fulfills the conditions specified in the Act and the Listing Regulations and is independent of the Management and possesses requisite skills, experience and knowledge. His qualification and experience was suitable for the Company and the Board would derive immense value from his guidance and rich work experience.

The letter of appointment issued to Mr. Sharma setting out the terms and conditions and other material documents are available for inspection.

Accordingly, the approval of the Members is being sought for the appointment of Mr. Shashi Kant Sharma as an Independent Director with effect from October 26, 2019 till October 25, 2024 pursuant to the provisions of Sections 149, 152 and Schedule IV to the Act and Companies (Appointment and Qualification of Directors) Rules, 2014 and any other applicable rules and Listing Regulations and he shall not be subject to retirement by rotation.

The Board, accordingly, recommends the passing of the ordinary resolution as set out at Item No. 6 of this Notice, for the approval of the Members.

Except for Mr. Sharma and his relatives, none of the other Directors or Key Managerial Personnel of the Company or their relatives are in any way concerned or interested, financially or otherwise, in the resolution as set out at Item No. 6 of this Notice.

ITEM NO. 7:

The Company with the objective of rewarding and motivating employees for their long association and in recognition of their dedicated service to the Company and also to attract and retain the best talent, has been granting stock options pursuant to the approval of its Members at general meeting. Rewarding employees with stock options aligns with the long term sustainable growth of the Company and ensures active participation by a team of motivated employees in ensuring the desired growth of the Company. It will provide competitive edge in the current economic and market scenario if adoption and implementation of such incentive structure is encouraged and supported by way of grant of stock options. The Shareholders had approved the last Employee Stock Options Scheme - 2017 at their meeting held on April 29, 2017 and further there are no stock options available for grant under any of its existing employee stock option schemes. The Company needs to be equipped to attract new and best talent in the senior management and personnel in other key operational areas, and hence proposes to introduce Employees Stock Option Scheme – 2020 (ESOS – 2020).

In view of the above, the Company proposes to grant stock options to its present and future permanent employees and directors (to the extent and in the manner as may be permissible under the relevant provisions of the Companies Act, 2013, rules made there under and Securities and Exchange Board of India (SEBI) (Share Based Employee Benefits) Regulations, 2014 as amended and Circular No. CIR/CFD/ POLICY CELL/2/2015 dated June 16, 2015 issued by the SEBI (hereinafter SEBI ESOP Regulations) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015), whether in India or abroad ('employees'), subject to the employees meeting the eligibility criteria and on such other terms as may be determined by the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include the Nomination & Remuneration Committee of Directors constituted by the Board to exercise its powers including powers conferred by this resolution) under ESOS – 2020 in terms of this resolution and in accordance with the provisions of the Companies Act, 2013, the rules framed there under, SEBI ESOP Regulations and other laws as applicable. Accordingly, the Nomination & Remuneration Committee and the Board of Directors of the Company at their meeting held on May 5, 2020 and May 9, 2020, respectively, had approved the proposed ESOS - 2020, subject to your approval.

In accordance with the terms of this resolution and the ESOS – 2020, the options would be granted in one or more tranches and series as may be decided by the Board, from time to time. The following would, inter-alia, be the broad terms and conditions of ESOS – 2020:

Brief Description of the Scheme

The Scheme is being implemented with a view to attract, retain and reward existing / new talents who are important for the business operations of the Company. Accordingly, the Company proposes to grant options to its present and future permanent employees and directors under ESOS – 2020 in terms of this resolution and in accordance with the relevant provisions of the Companies Act, 2013, the rules framed there under, SEBI ESOP Regulations and other laws as applicable from time to time. The ESOS – 2020 shall be implemented and administered directly by the Company by way of new issue of shares. The Nomination & Remuneration Committee (NRC) of the Company shall act as the Compensation Committee under Regulation 5 of the SEBI (Share Based Employee Benefits) Regulations, 2014, which has been authorised to, inter-alia, formulate, administer and supervise ESOS – 2020 including framing of its terms and conditions in terms of the SEBI ESOP Regulations. All questions of interpretation of ESOS – 2020 shall be determined by the NRC and such determination shall be final and binding.

Total number of options to be granted

The total number of options to be granted under ESOS–2020 shall not exceed 32,00,000 (Thirty Two Lac only) options representing 32,00,000 (Thirty Two Lac only) equity shares of ₹ 5 each of the Company or such adjusted numbers for any bonus, stock splits or consolidation or other re-organisation of the capital structure of the Company as may be applicable, from time to time. Each of the said options upon exercise shall be entitled for allotment of one equity share of ₹ 5 each of the Company or such adjusted numbers for any bonus, stock splits or consolidation or other re-organisation of the capital structure of the Company as may be applicable, from time to time.

The maximum dilution that could take place in future, if all the aforesaid options are exercised, would not exceed 1.5% of the expanded issued and paid-up share capital of the Company, taking into consideration the un-exercised stock options as on date.

The options, that may lapse/expire or are forfeited, will be available for grant to the eligible employees.

Identification of classes of employees entitled to participate in ESOS-2020

Present and future permanent employees and directors (whether working in India or abroad and to the extent and in the manner as may be permissible under the relevant provisions of the Companies Act, 2013, rules made thereunder, SEBI ESOP Regulations and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015) to participate in tranches and series of ESOS - 2020 from time to time, subject to such eligibility criteria as may be decided by the NRC, from time to time.

Requirements of vesting, period of vesting and maximum period within which the options shall be vested

Subject to SEBI ESOP Regulations, options granted under the ESOS - 2020 would vest subject to maximum period of 3 (three) years from the date of grant of such options and the minimum gap shall be as may be required by the statutory authorities. The NRC at its sole and absolute discretion shall be entitled to make the vesting of any or all of the options granted to eligible employee(s) conditional upon fulfilment of the criteria mentioned in ESOS - 2020 and such additional criteria, as may be determined by it, for any individual eligible employee or class / group of eligible employees.

Pricing formula and Exercise Price

The stock options would be issued to the eligible employees / directors at the latest available closing price on the stock exchange on which the shares of the Company are listed on the date immediately prior to the date on which the options are granted. As the shares of the Company are listed on more than one stock exchange, the latest available closing price on the stock exchange with higher trading volume on the said date shall be considered.

In terms of the applicable provisions of the Income Tax Act, 1961 and other applicable laws, the eligible employees shall be liable to pay the amount of perquisite tax and/or other taxes, charges and levies (by whatever name called) in respect of the options exercised, if any. It is further clarified that the Company shall be entitled to receive the entire consideration and the perquisite tax and/or other taxes, charges and levies (by whatever name called) at the time of exercise of the options by the eligible employees, irrespective of when the Company may be required to deposit the tax with the relevant authority.

Exercise period and process of exercise

The vested options shall be allowed for exercise on and from the date of vesting. The vested options need to be exercised within such period as may be prescribed by the NRC subject to a maximum period of 5 years from the date of vesting of such options.

The options will be exercisable by the employee by submitting a written notice of exercise to the Company to exercise the options in such manner and as per the prescribed format, and along with full payment for the shares with respect to which the options are exercised and the amount of applicable tax, if any.

Appraisal process for determining eligibility of the employees

The NRC shall formulate ESOS - 2020 detailing the eligibility criteria for the employees, the terms and conditions subject to

which shares would be issued, the modus of grant, exercise and vesting of the options and such other terms relating to the ESOS - 2020. Whilst granting the options to the employees under the ESOS - 2020, the NRC would inter alia consider the length of service, grade, performance, merit, potential, conduct of the employee and such other criteria/ factors as may be deemed appropriate by it.

The NRC would have the sole and absolute discretion to determine the employees eligible to be granted options under ESOS - 2020 and the quantum of options to be granted to any eligible employee.

Maximum number of options to be issued per employee and in aggregate

The NRC shall determine the maximum number of options to be granted per employee/director and in aggregate.

The maximum number of options to be issued to any eligible employee/director during any one year will be decided by the NRC, subject however that the same shall be less than 1% of the issued equity shares of the Company as on the date of grant.

Maximum quantum of benefits to be provided per employee

The maximum quantum of benefits to be provided to each employee/director is not quantifiable as it would depend on a case to case and the market price of the share.

Accounting and Disclosure Policies

The Company shall follow the relevant Accounting Standards as may be prescribed by the competent authorities from time to time, including the disclosure requirements prescribed therein and in accordance with and subject to the requirements of Regulation 15 of SEBI (Share Based Employee Benefits) Regulations, 2014.

Method for valuation of options

To calculate the employee compensation cost, the Company shall use the fair value method for valuation of the options granted.

Accounting related disclosure in the Directors' report

The Company shall use the fair value method of accounting for calculating the employee compensation cost and hence accounting related disclosure is not required in the Directors' Report.

Listing

The shares allotted pursuant to the exercise of the stock options, shall be listed on BSE Limited and National Stock Exchange of India Limited.

Pursuant to Section 62(1)(b) of the Companies Act, 2013, further equity shares may be issued to persons other than the existing Members of the Company subject to them approving the issue of such shares by way of a special resolution.

Consent of the Members is also required under SEBI ESOP Regulations by way of a special resolution. The resolution and the terms stated therein as also the terms stated in this explanatory statement hereinabove shall be subject to the guidelines/regulations issued/to be issued by statutory authorities in that behalf and the NRC shall have the sole and absolute authority to modify the terms herein which do not conform with the provisions of the said guidelines/regulations.

The Board, accordingly, recommends the passing of the special resolution as set out at Item No. 7 of this Notice, for the approval of the Members.

Except for the Key Managerial Personnel (KMP) of the Company and their respective relatives, to the extent of the number of options which may be granted to the KMP under ESOS - 2020, none of the Directors of the Company or their relatives are in any way concerned or interested in the resolution as set out at Item No. 7 of this Notice.

ITEM NO. 8:

The Members of the Company had at the Extra Ordinary General Meeting held on October 14, 2017 approved the re-appointment of Mr. Milind Barve as the Managing Director of the Company for a period of three years, with effect from November 1, 2017. Accordingly, Mr. Barve will complete his current term on October 31, 2020.

Mr. Barve had expressed his desire to not seek an extension of his current term as Managing Director which expires on October 31, 2020, as he would be turning 63 this year. However, in order to provide adequate time to the Company for identifying a successor in accordance with the succession planning process and to ensure continuity and smooth functioning of the business of the Company, Mr. Barve has agreed to an extension of 3 months as the Managing Director of the Company effective from November 1, 2020 to January 31, 2021.

Accordingly, the Board of Directors at its meeting held on June 11, 2020, based on the recommendation of the Nomination & Remuneration Committee, had re-appointed Mr. Milind Barve (DIN: 00087839) as Managing Director of the Company, not liable to retire by rotation, for a further period effective from November 1, 2020 upto January 31, 2021 subject to the approval of Members and other approvals as may be required. In accordance with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors are overseeing

succession planning and are ensuring that plans are in place for orderly succession for the role of Managing Director. The Board / Nomination & Remuneration Committee will undertake a formal and comprehensive process for appointing a successor for the aforesaid role.

The proposed re-appointment and terms and conditions including remuneration of Mr. Barve have been approved and recommended by the Nomination & Remuneration Committee of the Company. His re-appointment and remuneration is fixed in accordance with Sections 196, 197 and Schedule V to the Companies Act, 2013 ("the Act"). The terms and conditions of the re-appointment including remuneration payable to the Managing Director more particularly as set out in the agreement to be executed by and between the Company and Mr. Milind Barve are briefly mentioned hereunder:

(a) Salary

- The gross salary payable to Mr. Milind Barve shall be in the range of ₹ 24,00,000/- to ₹ 35,00,000/- per month. It shall include House Rent allowance, Conveyance Allowance and personal pay;
- Commission shall be equivalent to such sum as may be fixed by the Board or Nomination & Remuneration Committee, subject to a ceiling of 1% of the net profits of the Company for the financial year 2020-21;
- Club fees subject to a maximum of two clubs;
- Club fees of hotels / business centers;
- Other benefits shall include use of car with driver along with maintenance, telephone for the Company's business at residence (the expenses whereof would be borne and paid by the Company), facility arrangement at residence (to be re-imbursed to the Company on actuals), any insurance premium paid as per the policy of the Company, contribution to provident fund and all other benefits as are applicable to other senior employees of the Company (including but not limited to gratuity, leave entitlement, leave travel assistance and other benefits as may be approved by the Board/ Nomination & Remuneration Committee). The perquisites shall be valued as per the Income Tax Act, 1961, wherever applicable.
- Other post retirement benefits in the form of pension and other facilities including medical benefits, use of Company guest house, transfer of club membership, use of car and such other benefits and facilities in accordance with the schemes/policies framed/to be framed by the Company and as approved by the Board/ Nomination & Remuneration Committee, from time to

time and more particularly set out in the agreement to be executed by and between the Company and Mr. Milind Barve.

- (b) The scope and quantum of remuneration, benefits and amenities specified hereinabove, may be enhanced, enlarged, widened, altered or varied by the Board and/ or Nomination & Remuneration Committee in the light of and in conformity with any amendments to the relevant provisions of the Act and/or the rules and regulations made thereunder and/ or such guidelines as may be notified by the regulatory authorities from time to time.
- (c) The total remuneration payable to Mr. Milind Barve including salary, commission and value of the stock options treated as perquisites shall not exceed the limits prescribed under Section 197 of the Act including any amendment, modification, variation or re-enactment thereto.

The valuation of perquisites will be as per the Income-tax Rules, 1962, in cases where the same is otherwise not possible to be valued.

- (d) Subject to the provisions of the Act, the Managing Director, while he continues to hold office of the Managing Director, shall not be liable to retire by rotation and he shall not be reckoned as a Director for the purpose of determining the rotation or retirement of Directors in fixing the number of Directors to retire, but shall, ipso facto, and immediately cease to be the Managing Director, if he ceases to hold office of a Director due to any cause.

A copy of the draft Agreement proposed to be executed by the Company with Mr. Barve (on approval by Members of this Resolution) is kept and available for inspection.

It is proposed to seek Members' approval for the re-appointment of and remuneration payable to Mr. Barve as Managing Director, in terms of the applicable provisions of the Act. Brief profile of Mr. Milind Barve, his experience, qualifications and other details have been included in the Annexure to this Notice. Mr. Barve satisfies all the conditions set out in Part-I of Schedule V to the Act as also conditions set out under subsection (3) of Section 196 of the Act for being eligible for this re-appointment. He is not disqualified from being appointed as Director in terms of Section 164 of the Act and he is not debarred from holding the office of director by virtue of any order passed by SEBI or any such authority.

The Board recommends the passing of the ordinary resolution as set out at Item No. 8 of this Notice, for the approval of the Members.

Except for Mr. Barve and his relatives, none of the other Directors or Key Managerial Personnel of the Company or their relatives are in any way concerned or interested, financially or otherwise, in the resolution as set out at Item No. 8 of this Notice.

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

Sylvia Furtado
Company Secretary
Membership No. A17976

Mumbai, June 11, 2020

ANNEXURE

Pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard – 2, the following information is furnished about the Directors proposed to be appointed/re-appointed:

Name of the Director	Mr. Deepak Parekh (DIN : 00009078)	Mr. James Aird (DIN : 01057384)	Mr. Shashi Kant Sharma (DIN : 03281847)	Mr. Milind Barve (DIN: 00087839)
Date of Birth	October 18, 1944	November 21, 1960	September 25, 1952	November 13, 1957
Original Date of Appointment	July 04, 2000	April 23, 2009	October 26, 2019	July 04, 2000
Qualification	Fellow of The Institute of Chartered Accountants (England and Wales)	Graduate in Economics from Edinburgh University	M.A in Political Science, University of Agra, M.Sc. in Administrative Science and Development Problems, University of York (The U.K.), IAS (1976 Batch)	Bachelor's degree in Commerce from University of Poona and Fellow of the Institute of Chartered Accountants of India
Experience including expertise in specific functional areas / Brief Resume	He is a non-executive director and chairman of one of our Promoters, Housing Development Finance Corporation Limited (HDFC). Mr. Parekh's astute business acumen and farsightedness has not only made HDFC the leader in mortgages, but has also transformed it into India's leading financial services conglomerate with presence in banking, asset management, life insurance, general insurance, real estate venture fund, education loans and education.	He is a non-executive director and nominee of one of our Promoters, Standard Life Investments Limited. Mr. Aird is the Head of Corporate Development for Standard Life Aberdeen plc where he focusses on developing new international business, joint ventures and mergers and acquisitions and is responsible for corporate finance. He joined Standard Life Aberdeen plc in 1997 and has held a number of senior roles within Standard Life Aberdeen plc, including as the Chief Executive of Standard Life Investments mutual fund business.	He served as the Comptroller and Auditor General (CAG) of India from 23 rd May, 2013 to 24 th September, 2017. Before taking oath as CAG, he was the Defense Secretary, Government of India. He was also the Secretary, Department of Financial Services (Ministry of Finance) and Secretary, Department of Information Technology (Ministry of Telecommunication), in the Government of India. As a member of IAS since 1976, he has also worked in various other capacities in the government of Bihar state and the central government, including extensive field assignments in districts. In all, he has over forty years of experience in public policy and management	He was associated with HDFC in the capacity of General Manager – Treasury where he headed the treasury operations for 14 years and was responsible for the management of HDFC's treasury portfolio and for raising funds from financial institutions and capital markets. He was also the head of marketing for retail deposit products and responsible for investment advisory relationships for Commonwealth Equity Fund Mutual Fund and Invesco India Growth Fund.
Directorships held in other companies*	<ul style="list-style-type: none"> • Housing Development Finance Corporation Limited • HDFC Ergo General Insurance Company Limited • HDFC Life Insurance Company Limited • Siemens Limited • National Investment and Infrastructure Fund Limited • H T Parekh Foundation • Breach Candy Hospital Trust • Indian Institute for Human Settlements 	-	<ul style="list-style-type: none"> • Mangalore Chemicals and Fertilizers Limited • Bajaj Allianz Life Insurance Company Limited • Bajaj Allianz General Insurance Company Limited 	-

Name of the Director	Mr. Deepak Parekh (DIN : 00009078)	Mr. James Aird (DIN : 01057384)	Mr. Shashi Kant Sharma (DIN : 03281847)	Mr. Milind Barve (DIN: 00087839)
Memberships / Chairmanships of committees of other companies#	Audit Committee – Member • Siemens Limited	-	Audit Committee – Member • Bajaj Allianz Life Insurance Company Limited • Bajaj Allianz General Insurance Company Limited	-
Number of shares held in the Company	160,000	Nil	Nil	1,040,000
Terms & Conditions of appointment/ re-appointment	Liable to retire by rotation	Liable to retire by rotation	Appointed for a period of five years from October 26, 2019 to October 25, 2024	Approval of Members has been sought for his re-appointment as Managing Director for a further period of 3 months from November 1, 2020 up to January 31, 2021. For more details, please refer Explanatory Statement
Remuneration sought to be paid	Sitting fees and commission	Sitting fees and commission	Sitting fees and commission	Please refer Explanatory Statement

*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.

For other details such as number of meetings of the board attended during the year, remuneration drawn and relationship with other directors and key managerial personnel in respect of above directors, please refer to Form No. MGT-9 and corporate governance report which form part of this Annual Report.

AGM Venue:

"Rama & Sundri Watumull Auditorium", K. C. College,
Dinshaw Wacha Road, Churchgate, Mumbai - 400020





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

Proxy Form Form No. MGT-11

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies
(Management and Administration) Rules, 2014]]

Name of the member(s):
Registered address:
E-mail:
Folio No/ DP ID/ Client ID:

I/We, being the member(s) of Equity shares of ₹ 5/- each of the above named Company, hereby appoint:

- 1. Name:..... Address:.....
E-mail Id:..... Signature:..... Or failing him/her,
- 2. Name:..... Address:.....
E-mail Id:..... Signature:..... Or failing him/her,
- 3. Name:..... Address:.....
E-mail Id:..... Signature:.....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at 21st Annual General Meeting of the Company, to be held at Rama & Sundri Watumull Auditorium, K. C. College, Dinshaw Wacha Road, Churchgate, Mumbai - 400020 on Thursday, July 23, 2020, at 2.30 p.m. (IST), and at any adjournment thereof in respect of such resolutions as are indicated below:

Item No.	Resolution	For	Against
Ordinary Business			
1	Adoption of Financial Statements		
2	Declaration of Dividend		
3	Re-appointment of Mr. James Aird		
4	Re-appointment of Mr. Deepak Parekh		
5	Authority to Board of Directors to fix remuneration of M/s. B S R & Co. LLP, Chartered Accountants, Statutory Auditors		
Special Business			
6	Approval for appointment of Mr. Shashi Kant Sharma as an Independent Director		
7	Approval for issuance of equity shares under Employees Stock Option Scheme – 2020 to the employees and directors of the Company		
8	Approval for re-appointment of Mr. Milind Barve as Managing Director		

Signed this _____ day of _____ 2020

Signature of Member(s)

Signature of Proxy holder(s)

Affix
Revenue
Stamp

Notes:

- Facility to appoint proxy will not be available in case permissions/approvals are not received from appropriate authorities to conduct the AGM physically.
- This form in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
- A Proxy need not be a Member of the Company. A person appointed as Proxy shall act on behalf of not more than 50 (Fifty) Members and holding not more than 10% of the total share capital of the Company carrying voting rights. However, a Member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as Proxy and such person shall not act as Proxy for any other person or Member.
- It is optional to indicate your preference. If you leave the 'for' or 'against' column blank against any or all the resolutions, your proxy will be entitled to vote in the manner as he/she may deem appropriate.



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

ATTENDANCE SLIP

Folio No. / DP ID & Client ID:

Name & Address

Name(s) of the Joint Holder(s), if any

No. of shares held

I/ We hereby record my/ our presence at the **21st Annual General Meeting of HDFC ASSET MANAGEMENT COMPANY LIMITED** held at Rama & Sundri Watumull Auditorium, K. C. College, Dinshaw Wacha Road, Churchgate, Mumbai - 400020 on Thursday, July 23, 2020, at 2.30 p.m. (IST).

Full name of Member/ Proxy / Authorised Representative	
Member's / Proxy's / Authorised Representative's Signature	

Notes:

1. A Member / Proxy / Authorised Representative needs to furnish duly signed 'Attendance Slip' along with a valid Identity proof such as PAN card, Passport, Aadhaar card or Driving License to enter the AGM hall.
2. Please read the instructions given in the notes to the Notice convening the 21st Annual General Meeting of the Company carefully before exercising your vote electronically.

Shaping
Investor
Confidence
over **20 years**



Shaping Investor Confidence over **20 years**

Today, HDFC Asset Management Company (HDFC AMC) is synonymous with quality investment management, expertise and trust. Over the past two decades, we have shaped our strengths in delivering simple and accessible investment products for the average Indian household, which has led us to become the most preferred choice for individual investors. Our offering of systematic transactions further enhances our appeal to customers, looking to invest periodically in a disciplined and risk-mitigating manner. At the same time, our offerings well meet the ever-advancing requirement of our corporate clients.

Our time-tested relationships with our distributors and customers, and strong parentage provide us a distinct competitive edge.

Our consistent position as one of India's leading asset management companies is driven by our comprehensive investment philosophy, process and risk management. Our mutual fund schemes have weathered multiple market cycles and carry track records of over 20 years.



For complete information on our offerings referred to in this document, please refer our website www.hdfcfund.com

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

HDFC AMC: QUICK FACTS MOST PROFITABLE

AMC in India

LEADING

Actively managed equity-oriented mutual fund manager in India

PERFORMANCE HIGHLIGHTS FY 19-20

Assets Under Management

₹ **3,19,090** CRORE

Profit After Tax

₹ **1,262** CRORE

35.66% ▲

56 LAKH
Unique Investors

94 LAKH
Live Accounts

221
Investor Service
Centres (ISCs)

1,194
Employees

Note:

1. Most profitable AMC as per publicly available financials of AMCs for FY 18-19 and up to last quarter of FY 19-20
2. All data as of March 31, 2020 unless stated otherwise
3. For details on Mutual Fund AUM, refer Page 4 & 5
4. ISCs include a representative office in Dubai
5. Actively managed equity-oriented mutual funds includes all solution oriented schemes/ portfolios and excludes index funds & ETFs

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HDFC AMC at a Glance

HDFC AMC is India's most profitable mutual fund manager, leading in actively managed equity-oriented assets under management (AUM). Our total Mutual Fund AUM (as on March 31, 2020) of ₹ 3.2 Lakh Crore spans across a comprehensive suite of investment products across asset classes and scheme categories to meet the various investment objectives of our large customer base of 56 Lakh individuals and institutions.

We work with a broad and diverse set of distribution partners which helps us expand our reach. We serve our customers and distribution partners in over 200 cities through our network of investor service centres and modern digital platforms. We also provide portfolio management and separately managed account services. These services cater to high net worth individuals (HNIs), family offices, domestic corporates, trusts, provident funds and domestic and global institutions.

OUR PROMOTER SHAREHOLDERS

Our principal shareholders are Housing Development Finance Corporation Limited (HDFC) and Standard Life Investments Limited which own 52.7% and 26.9% stake (as on March 31, 2020), respectively. The brand equity, goodwill, and expertise of our sponsors empowers us to grow from strength to strength.

HDFC

- Incorporated in 1977 as a specialised mortgage finance company and is today a financial conglomerate with a dominant presence in housing finance, banking, life and non-life insurance, asset management, real estate funds and education finance
- The HDFC brand enjoys strong recall and trust among customers across generations

Note:

1. Most profitable AMC as per publicly available financials of AMCs for FY 18-19 and up to last quarter of FY 19-20
2. For details on Mutual Fund AUM, refer Page 4 & 5.

Our vision

To be a dominant player in the Indian mutual fund space recognised for its high levels of ethical and professional conduct and a commitment towards enhancing investor interests.



Standard Life Investments (SLI)

- A subsidiary of Standard Life Aberdeen plc group, it is one of the world's largest investment companies. Standard Life Aberdeen plc group was created in 2017 from the merger of Standard Life plc and Aberdeen Asset Management PLC
- Operating under the brand Aberdeen Standard Investments, the investment arm manages \$ 645 Billion (as at December 31, 2019) of assets, making it the largest active manager in the UK and one of the largest in Europe
- Presence in over 40 locations including 24 investment centres across the Americas, Asia, the Middle East and Australia
- SLI has contributed towards the industry best practices followed by our company, particularly in operations and risk management

Our Investment Philosophy

Our position as India's leading asset management company is supported by a strong brand, good distribution network, experienced team and sound track record over the long term.

The underlying investment philosophy for equity/ fixed income investments for various mutual fund schemes managed by us is as follows:

Equity-Oriented Schemes

Equity-oriented schemes constituted 38% of our total AUM as of March 31, 2020. We are medium to long-term investors in equities and our investments are driven by fundamental research with a medium to long-term view. Our investment philosophy for equity-oriented investments is based on the belief that over time stock prices reflect their intrinsic values. Our research efforts are predominantly focussed on bottom up research keeping in mind the economic outlook and macro-economic conditions. The focus of research effort is on understanding the businesses, key drivers and understanding the 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 & experts etc.) factors. While the above forms the core of our approach to equity investments, we are mindful of the fact that there are/ can be long phases in markets when alternative approaches to investing perform better. With a view to offer choice of diversity of styles to our customers and to mitigate business risk, we are building capabilities in other styles by hiring appropriate resources. While we already have products with focus on different market capitalisations, we feel diversity in our investment style and approach will be in the long-term interest of customers and business. We will remain firmly focussed on fundamentals-led research and will continue to strive to improve our understanding of the investment universe.

Debt Schemes

Investments in fixed income securities are guided by our investment philosophy of Safety, Liquidity and Returns (SLR), generally 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 in the recent past following the shutting of several fixed income schemes by another mutual fund due to illiquidity of the underlying portfolios. Our fixed income schemes constituted 60% of our total AUM as of March 31, 2020. Our fixed income schemes invest in debt securities including government securities, non-convertible debentures, corporate bonds, asset-backed securities, money market instruments, etc. All investments are done in line with the Scheme Information Documents (SID) and in permitted instruments. Our Credit Risk Assessment framework lays emphasis on 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 deep understanding of credits has helped us avoid majority of stress cases faced by the mutual fund industry over the past decade. Also, in the few instances where our holdings experienced some stress, we were able to recover major portion of our investments due to good covenants, strength of underlying businesses/ collateral and parentage. This approach along with conservative sizing of investments has 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 view on interest rates and yield curve etc.

Investment Risk Management

The risk management function is an integral part of our investment process. Our investment and risk management teams are responsible for conducting pre-trade and post-trade monitoring. Pre-trade monitoring includes regulatory and internal limit adherence, volume weighted average price (VWAP) analysis and trade allocation review as and when applicable. Post-trade monitoring process includes the analysis of performance attribution, factor model based risks, stress tests, value at risk (VaR), sector and stock concentration risks and peer group analysis, and is supported by robust technology platforms. Further, we have internal dealing room controls that are reviewed by independent forensic auditors. We maintain biometric access controls, call recording and video surveillance, a cell phone deposit policy and a dealer (equity dealing room) rotation policy. We continuously enhance our investment risk management capabilities to ensure regulatory and market compliance, and develop techniques to continue tracking our portfolios.

Our Product Suite

We have a comprehensive product portfolio catering to the needs of a large and diverse customer base. We enjoy the highest market share* in actively managed equity-oriented funds. Our offering of systematic transactions further enhances our appeal to customers preferring to adopt a disciplined, periodic route to wealth creation.



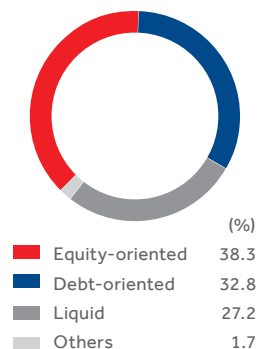
*Source - www.amfiindia.com

Equity-oriented
23 SCHEMES
Debt-oriented
90 SCHEMES
Liquid
2 SCHEMES
Others
7 SCHEMES

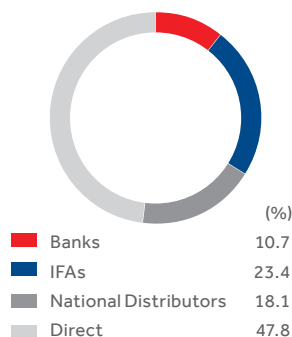
- Equity-oriented AUM includes all solution oriented schemes/portfolios
- Arbitrage funds, Exchange Traded Funds (ETF) and Fund of Funds (FoF)

Category of the Scheme	₹ (in Crore)	
	AUM as on the last day of the Quarter	Average AUM for the Quarter
Liquid Fund/Money Market Fund/ Floater Fund	103,338	109,110
Gilt Fund/ Glit Fund with 10 year constant duration	1,006	1,107
Remaining Income/ Debt Oriented Schemes	84,475	89,873
Growth/ Equity Oriented Schemes (Other than ELSS)	60,037	80,844
ELSS Funds	5,964	8,056
Hybrid Schemes	57,287	73,464
Solution Oriented Schemes	3,592	4,314
Index Funds	2,179	1,865
GOLD ETF	801	705
Other ETF	412	446
Fund of Fund investing overseas	-	-
Total	319,090	369,783

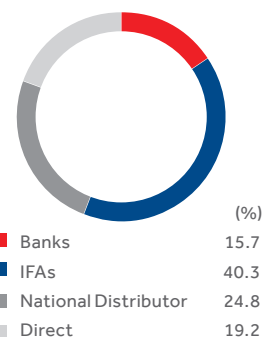
Segment-Wise Break-Up (%)



Channel-Wise Break-Up of Total AUM (%)



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

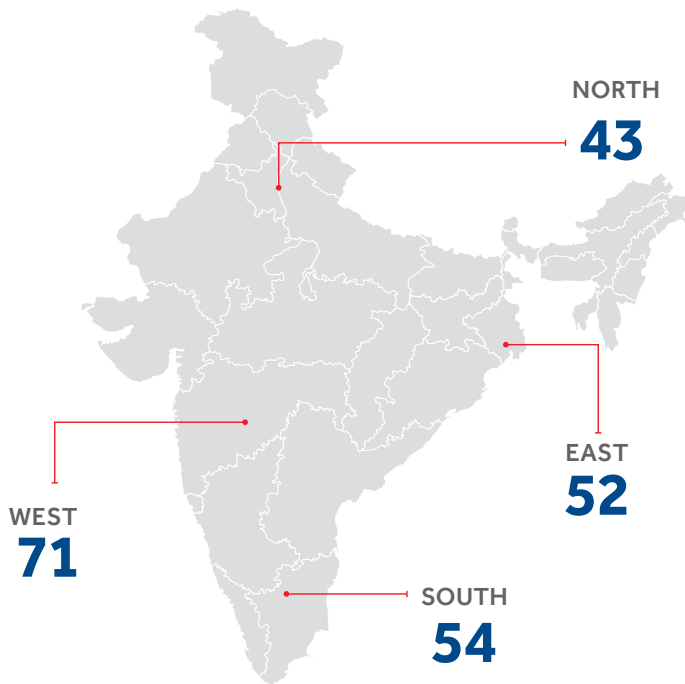


Data as at March 31, 2020

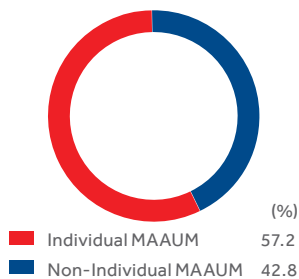
Our Presence

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.

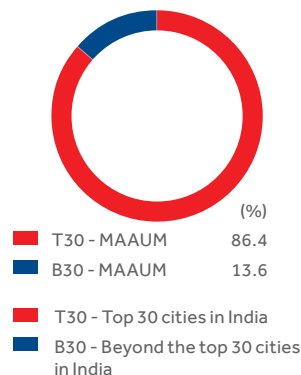
SPREAD OF ISCs ACROSS INDIA



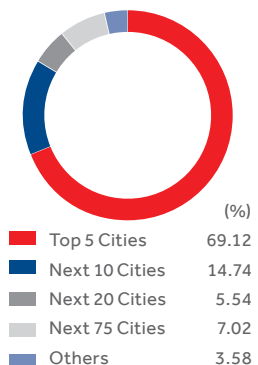
Investor Base Break-Up (%)



Geography-Wise Break-Up (%)

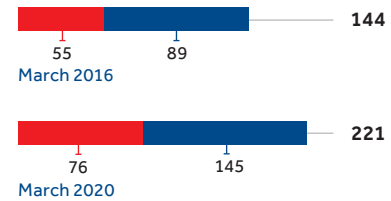


Percentage of AUM by Geography (%)



Data as at March 31, 2020

PHYSICAL FOOTPRINT ISCs



- T30 - Top 30 cities in India
- B30 - Beyond the top 30 cities in India

Including a representative office in Dubai.

NUMBER OF DISTRIBUTION PARTNERS

March 2016

55,000+ DISTRIBUTION PARTNERS

March 2020

70,000+ DISTRIBUTION PARTNERS

Decoding Key Terminologies of the MF Industry

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.



ASSETS 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. For instance, if an investor invests ₹ 50,000 in an NFO he/ she will get 5,000 units, each having a NAV of ₹ 10.

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.

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 TRANSFER PLAN (STP)

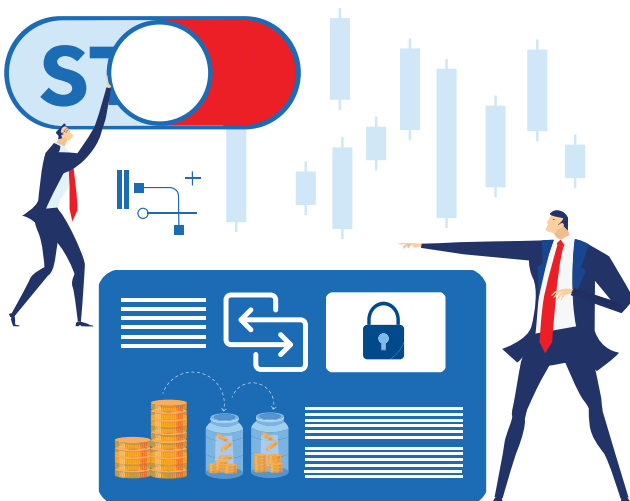
This plan can be used in volatile markets to gradually transfer or switch small amounts of investments at chosen intervals (days/months/quarter) from one scheme to another scheme of a mutual fund. It is essentially used to transfer investments from one asset type to another.

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 doesn't have the lump sum amount available, he/ she can opt for an SIP of ₹ 5,000 every month.

SYSTEMATIC WITHDRAWAL PLAN (SWP)

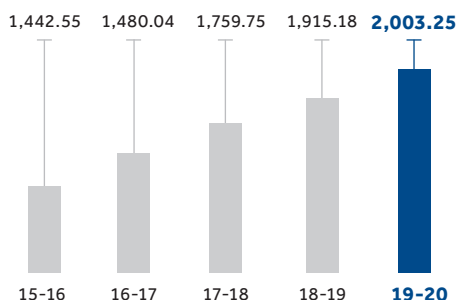
Through this facility, the investor receives a pre-determined amount on a periodic basis from the invested scheme. Investors who need regular income, like retirees, often go for this option. The payments are usually given from the scheme's dividend income or capital gain distribution.



Key Performance Indicators

REVENUE FROM OPERATIONS

(₹ in Crore)

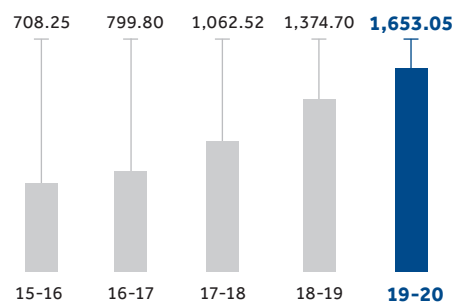


5-YEAR CAGR

14.40%

PROFIT BEFORE TAX

(₹ in Crore)

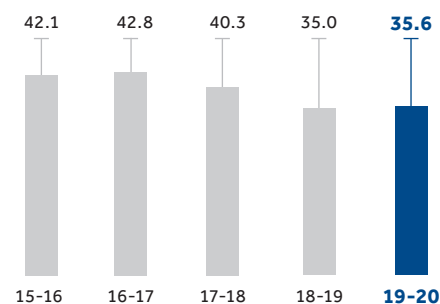


5-YEAR CAGR

21.57%

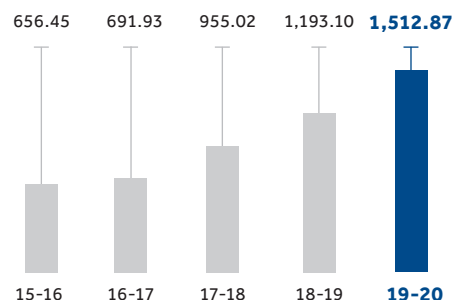
RETURN ON EQUITY

(%)



OPERATING PROFIT

(₹ in Crore)

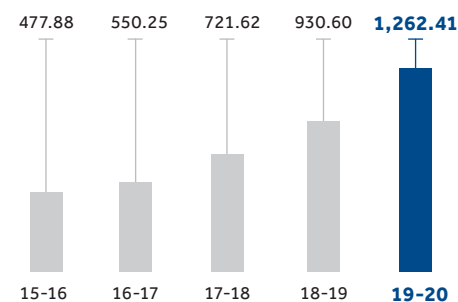


5-YEAR CAGR

21.10%

PROFIT AFTER TAX

(₹ in Crore)

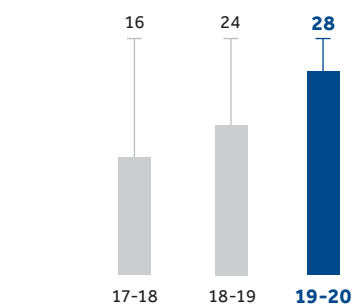


5-YEAR CAGR

24.89%

DIVIDEND PER SHARE

(₹)



Note: 1. All data is as of March for each year, unless stated otherwise.

2. FY 14-15 has been taken as the base year for CAGR calculation. Revenue from operations, operating profit, profit before tax and profit after tax in FY 14-15 were ₹ 1,022.44 Crore, ₹ 580.76 Crore, ₹ 622.60 Crore and ₹ 415.50 Crore respectively.

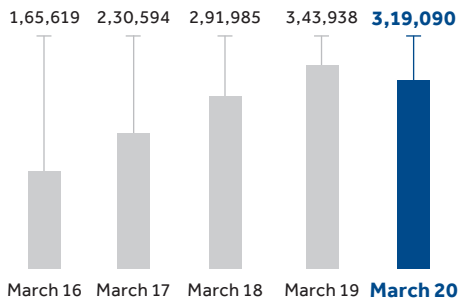
3. The details from FY 14-15 to FY 17-18 considered here, are as reported in the financial statements of that year which were under earlier applicable accounting standards.

4. Return on Equity from FY 15-16 to FY 17-18 was under earlier applicable accounting standards whereas for FY 18-19 onwards, it is under IndAS.

5. Dividend for FY 19-20 is proposed by the Board of Directors on May 09, 2020 which is subject to shareholders' approval at the ensuing Annual General Meeting.

ASSETS UNDER MANAGEMENT³

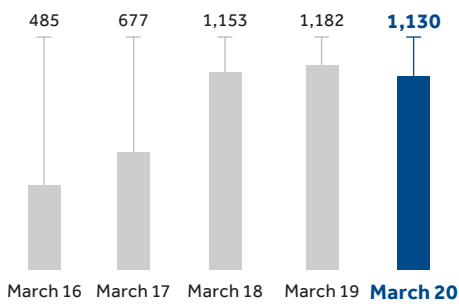
(₹ in Crore)



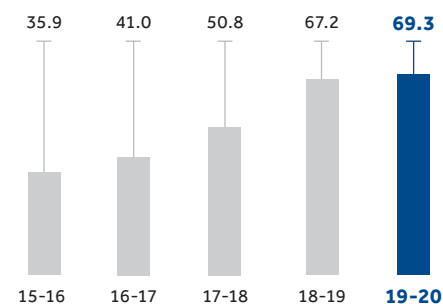
5-YEAR CAGR

16.21%**SYSTEMATIC TRANSACTIONS**

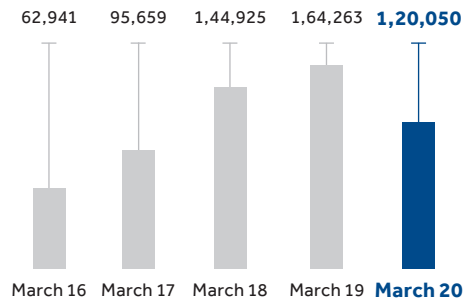
(₹ in Crore)

**DIGITAL TRANSACTIONS AS % OF TOTAL**

(%)

**ACTIVELY MANAGED EQUITY-ORIENTED AUM⁴**

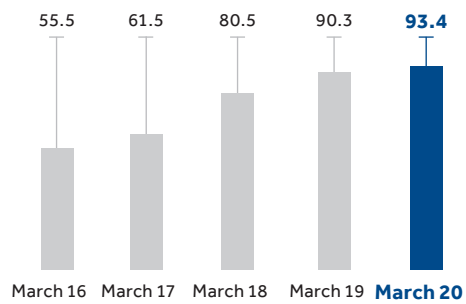
(₹ in Crore)



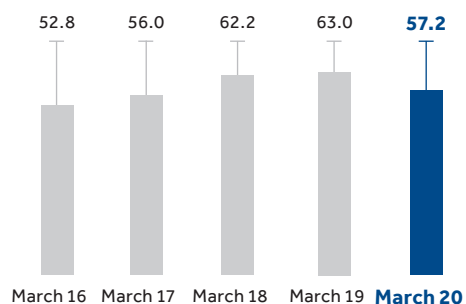
5-YEAR CAGR

12.21%**LIVE INDIVIDUAL ACCOUNTS**

(in Lakh)

**INDIVIDUAL SHARE IN AUM**

(% of monthly average AUM)



Note: 1. All data is as of March for each year, unless stated otherwise.

2. March 2015 has been taken as the base for CAGR calculation. Assets under management and Actively managed equity-oriented AUM in March 2015 were ₹ 1,50,569 Crore and ₹ 67,481 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 & ETFs.

Chairman's Message

Dear Shareholders,

I am writing to you in truly unusual times. The markets and the economy had its ups and downs, but overall seemed to be yet another year of progress and development for most parts of FY 19-20. The last quarter, though, took a completely different turn with the declaration of novel coronavirus disease (Covid-19) as a pandemic. The resultant lockdowns took the world by storm and reset priorities.

“ Mutual funds will remain important and relevant in the savings and investment landscape. HDFC AMC is well positioned to leverage the opportunity offered by the market. ”



Deepak S Parekh
Chairman

As of date, globally there are approximately 70 Lakh people reported to have contracted Covid-19, with around 4 Lakh reported deaths. This kind of death toll due to a single cause is unprecedented. Both the developed and developing economies globally are now confronted with a humanity, health, economic and financial crisis that has all morphed into each other. Unwinding from this is going to be long and painful.

The political and enforcement systems in India have proved more than capable in handling this major calamity, despite the challenges and setbacks posed by such a densely populated country with limited means. India has implemented one of the most extensive lockdowns in South Asia in order to prevent a sharp rise in infections.

The lockdown, as expected, has caused a major strain on the Indian economy. Both the Reserve Bank of India and the government have taken a number of measures to address the challenges and provide the much-needed stimulus to revive and restart the economy.

As soon as the national lockdown was announced, the government was quick to implement measures for the most vulnerable sections of society through direct cash transfers and the provision of food. In this crisis, it is imperative for India Inc. to support the government's endeavours. The HDFC group of companies together have contributed ₹ 150 Crore towards the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund).

From a monetary policy standpoint, the RBI effected a slew of measures including rate and reserve ratio cuts to improve liquidity and revive growth. It announced targeted long-term repo operations, increased liquidity lines for refinance institutions and also provided a special liquidity facility for mutual funds.

Despite the challenges and hardships, it is important to stay cautiously optimistic. The India growth story is about domestic consumption and demand will revive and capacity utilisations will gradually rise.

My view on the mutual fund industry's growth story remains unchanged. I believe this event has shed further light on the importance of household savings. Mutual funds will remain important and relevant in the savings and investment landscape. HDFC AMC is well positioned to leverage the opportunity offered by the market. Your company has nearly 20 years of investment management experience and over the years it has laid a strong foundation of diversified offerings, cutting-edge digital platforms and has built a widespread distribution network.

I would like to thank our shareholders who have continued to repose their faith and trust in us. Their collective stake in the business reflects the incredible opportunity offered by the asset management industry. I would like to thank our customers and distribution partners for being part of a growing savings culture in India. We will remain focused on driving awareness and deepening the mutual fund penetration levels in the country.

Finally, I salute all the employees of HDFC AMC for their resilience and hard work as it is their efforts that have held the company in good stead. May we all heal and look forward to better times ahead.

Best Regards,

Deepak S Parekh
Chairman

MD's Message

Dear Shareholders,

I am happy to once again share your Company's annual performance. We have seen healthy growth in profits and have been able to hold on to a high market share in this rapidly-developing industry. Of course, we are living through some precarious times, something no one could have ever anticipated. We have had all possible risk management measures in place, including a well laid out Business Continuity Plan (BCP), which we have periodically been testing for any potential threats.

We would like to highlight that our business is fully functional and continues the way it has been despite the lockdown. We took necessary steps well ahead of time, to mitigate any risk to our employees and customers, and closed our sales and service branches.

At the start of the pandemic we decided to quickly activate our BCP. Our first priority was to ensure that all critical functions worked seamlessly from any location and that we were able to also adhere to all regulatory timelines. Our entire team was provided with Work from Home (WFH) infrastructure and continued to engage with customers, partners and service providers. We have been successfully working with our partners and service delivery providers remotely utilising our cloud-based infrastructure.



“ We continue to focus on effective use of technology to improve our customers' user experience and make transacting more convenient. ”

Milind Barve
Managing Director

Over the years, we have been heavily investing our resources towards building our current IT systems and digital platforms, which formed the pillars on which we continued to operate seamlessly even from remote locations. Electronic transactions have been dominating our total transactions volume share even before the lockdown, and this has helped us to manage all our transactions through these channels.

With the BCP activated, and all functions running smoothly, we ensured customer services continuity through various digital platforms. Our teams are available for any kind of assistance required by our customers and distributors for processing of transactions online. Our investment and sales teams' interaction with distributors and customers are comfortably carried out over video and audio calls.

As we continue to reopen our branches, we've learnt to utilise these efficient modes of communication and transaction even more, as many crises usually make systems more robust and less fragile.

Our closing AUM grew by 7% during the first three quarters from ₹ 3.44 Lakh Crore in March 2019 to ₹ 3.69 Lakh Crore in December 2019 but ended the year at ₹ 3.19 Lakh Crore due to the pandemic and its impact on equity markets. As against this closing AUM, our quarterly average AUM as of March 2020 stood at ₹ 3.70 Lakh Crore. Likewise, as of March 2020 our actively managed equity-oriented closing AUM was ₹ 1.20 Lakh Crore vis-à-vis a quarterly average AUM of ₹ 1.57 Lakh Crore. The fall in closing AUM as compared to quarterly average AUM can be attributed to the steep fall in markets in the month of March.

Although the industry AUM, including our own, has seen a decline in the last quarter despite net positive flows into the industry, Mutual Funds continue to be the optimal savings vehicle. The last 5 years industry CAGR as of March 31, 2020 is still an impressive 15.5%, as Mutual Funds continue to penetrate the hinterlands. Our market share remained stable at 14.3% in total AUM and 14.7% in actively managed equity-oriented AUM.

Our individual monthly average AUM for March 2020 was 57.2% of total AUM as against 52.2% for the industry and we continue to be the most preferred choice for individual investors with 15.0% share in individual AUM. Our unique investor count stands at 56 Lakh as against the total of 2.08 Crore in the industry, so well over one out of every four mutual fund investors have invested with us. Our systematic transaction flows remained stable through the year, with

March 2020 seeing flows of ₹ 1,130 Crore across 32.9 Lakh transactions, 69% of which are signed up for over 10 years, which continues to offer predictability in flows.

PAT for FY 19-20 was ₹ 1,262 Crore, an increase of 36% year on year. Our operating profit margin as a percentage of average AUM for FY 19-20 is 41 bps as against 37 bps in the previous year. The Board of Directors has proposed a dividend of ₹ 28 per share which is subject to shareholders' approval.

We continue to focus on effective use of technology, to be built for change in difficult times and for scale in good times. Digital platforms facilitate easy on-boarding, ease in transacting and access to other relevant data, all key parameters in the mutual fund investment cycle. Through these initiatives, we expect our customers' user experience to improve and make transacting very convenient. We are also continuing our efforts towards providing seamless connectivity with all our key distribution channels in order to drive synergies of financial planning, efficient distribution, transaction processing and servicing.

Finally, I would like to mention that we realise the importance of, and are committed towards, environmental social and governance aspects of doing business. In our day-to-day business, we keep these principles in mind. HDFC Group recently contributed a significant amount towards the PM Cares Fund, and your company contributed ₹ 7.5 Crore towards this fund. Our decade long efforts towards HDFC Cancer Cure Fund initiative has continued to contribute towards the cancer cure cause, with over ₹ 32 Crore just in FY 19-20, of which your company contributed ₹ 15 Crore and balance ₹ 17 Crore was contributed by unitholders. Over the entire decade the total contribution towards this cause has amounted to over ₹ 153 Crore which has helped treat over 8100 patients. We also continued to pursue various other social initiatives in the field of welfare and development. We also continue to keep governance standards and compliance at the very forefront in every activity.

On behalf of all employees at HDFC AMC, I would like to thank all our shareholders whose stake in our business is invaluable. I would like to express sincere gratitude to the regulating agencies which have continued to give meaningful guidance and have acted promptly in the benefit of customers and industry.

Sincerely,

Milind Barve
Managing Director

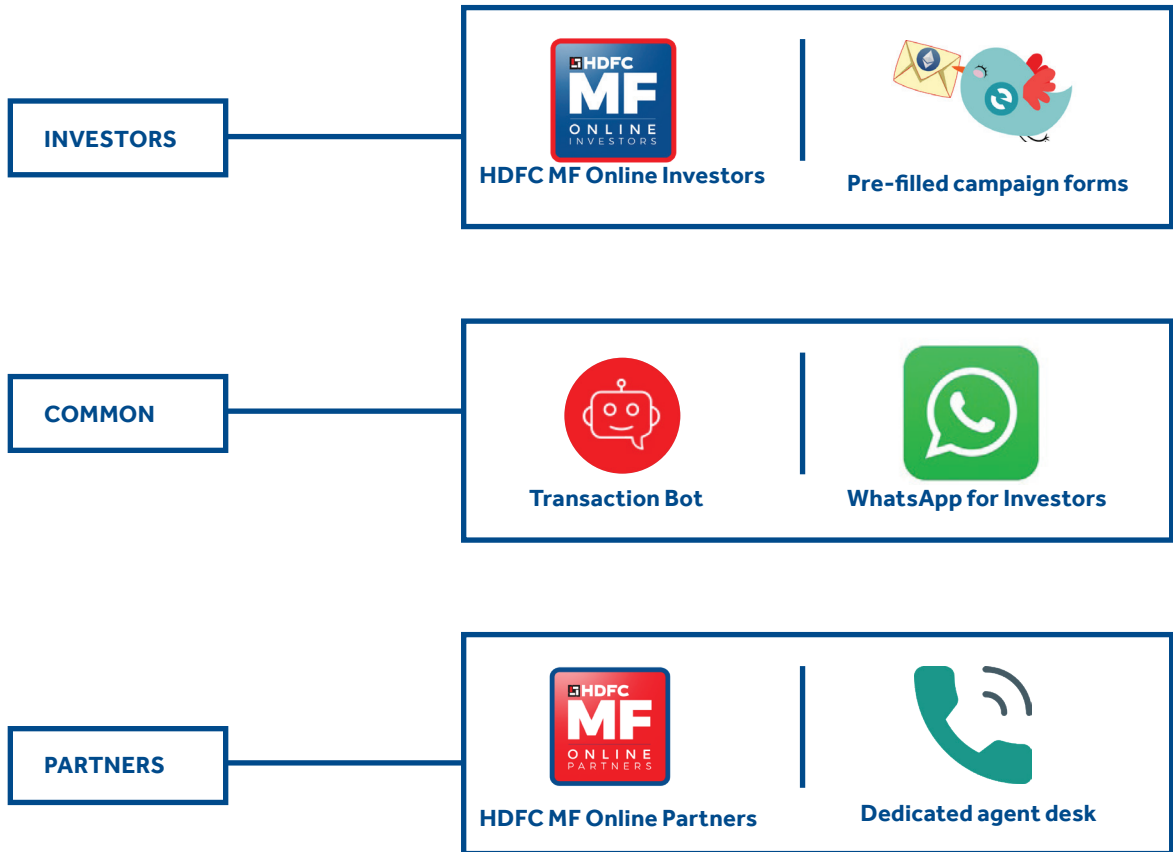
Digitalisation

Our technology platforms are built on cloud leveraging emerging technologies which are robust and scalable.

OUR KEY FOCUS IS TO

- 1 Build and retain our direct online investor base
- 2 Provide an open architecture solution which integrates easily with other plug and play solutions
- 3 Power our partners digitally
- 4 Power solutions with direct access and control to business users

CURRENT INVESTOR AND PARTNER CHANNELS



KEY INITIATIVES DURING THE YEAR

Transaction bot

It powers multiple transaction types, statements, status check and many other features for existing investors

Quick link

Increase digital options for partners allowing them to create pre-filled transaction links for their investors that allow them to transact with a single click

WhatsApp for Investors

Another digital channel for engaging with investors for transaction and other regular requirements which was launched at speed during the lockdown

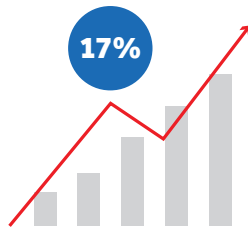
Smart search

Improve search capabilities on website for faster and better results

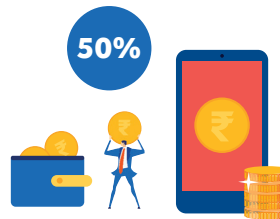
Pre-filled campaign forms

Offering an easy purchase experience to investors with pre-filled forms to retain and cross/up sell to investors

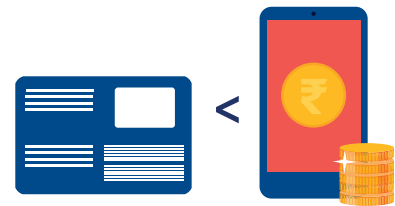
SUCCESS STORIES OF THE YEAR



Transaction volumes on our inhouse platform grew 17%



Almost 50% of direct transactions are on inhouse digital platform and the balance is divided between physical and aggregator platforms



Mobile-to-web ratio had increased with every third digital transaction being on mobile



There is a lumpsum/SIP booked every minute on our platforms



16 account statements are downloaded every minute



More than one new investor onboarded every two minutes on our online platform last year.

Marketing Initiatives

Our marketing campaigns aim to improve the awareness about mutual funds as an investment vehicle and also increase the traction for HDFC MF schemes across the country.

CAMPAIGNS



#KyaPlanHai

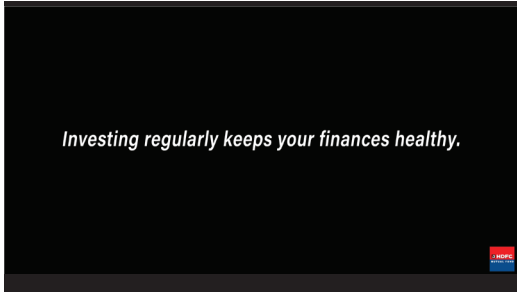
The core message behind the #KyaPlanHai campaign was that every individual needs to upgrade their lifestyle. Be it someone who wants to upgrade from a small vehicle to a big vehicle, or a small house to a big house or a domestic vacation to an international vacation. The campaign was promoted on digital, print, television and outdoor over two months. With a 360-degree push across platforms, the videos garnered a total of 1.10 Crore views across languages.



Har Muhurat SIP Ka Muhurat

A digital campaign that was launched during Diwali, Har Muhurat SIP Ka Muhurat had a core thought of not waiting to time the market. SIP do not require timing the market. For SIP, any time is a good time to invest in mutual funds. The video garnered total views of close to 9 Lakh over the festival period within 15 days.





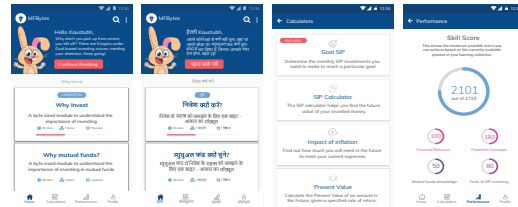
Be financially healthy

The central idea behind this digital campaign was to equate good health with good financial health. Healthy habits like yoga are essentially for individuals' well-being, just like investing through SIP in mutual funds, is considered healthy. The video campaign was also translated in Hindi to extend the reach and garnered over 12 Lakh views.



HDFC Top 100 Fund – Get the Titans on your side

HDFC Top 100 Fund has a portfolio which mainly consists of large cap stocks. Simply said, large-caps are the Titans which fuel the growth of our economy. The video campaign was also released in Hindi along with English and garnered a total of over 21 Lakh views.



MFBytes – An Investor Education App

We launched an Investor Education app - MFBytes to aid investors to understand mutual funds. The app has very interesting quizzes which engages users and is also available in Hindi language. The app is categorised into topics and sub-topics to guide users basis the content they want to consume. Once the user finishes reading the selected topic, he/ she is presented with a set of questions, which is integrated in an interesting format. If the user answers a question incorrectly, the bunny, gives across the correct information.

Based on the quizzes completed and correct answers, a skill score is calculated, which can also be compared to other users via the leaderboard. Calculators are also present in the app, in case a user wants to use them for financial planning. The users are also presented with badges to maintain their engagement on the app.



ESG Initiatives

At HDFC AMC, we are a responsible corporate citizen and have incorporated responsible management and governance. Our vision 'to be a dominant player in the Indian mutual fund space recognised for its high levels of ethical and professional conduct and a commitment towards enhancing investor interests' drives everything we do.

ENVIRONMENT

Over the last decade, we have systematically built high quality platforms for handling electronic transactions at scale. This includes our own web-based login system, mobile applications, messaging services, e-statements, etc. We were at the forefront of moving away from paper based account statements and transactions.

Moreover, we have also deployed recycling stations and machines across our offices for plastic. We also run employee awareness and communications drives in an effort to optimise usage of office equipment, stationary and consumables.

Our offices are well optimised for conservation of energy. This includes installation of low consumption energy efficient fittings, including automatic lighting, water taps, air dryers, etc. All equipment used aim at energy efficiency and minimal wastage.

We processed over 40 Million transactions during the year (including all systematic and non-systematic transactions) of which approximately 90% were electronic.



SOCIAL

In 2011, we launched the HDFC Debt Fund for Cancer Cure, an innovative offering in association with the Indian Cancer Society (ICS), which is one of India's oldest public charitable trusts working in the area of cancer cure. The HDFC Debt Fund for Cancer Cure was the first mutual fund offering in India dedicated to philanthropy. This scheme pooled investor/donor funds through a 3-year close-ended mutual fund scheme. The subscriptions from investors were invested and the returns thereof, in the form of dividends were donated to the ICS. On completion of the three year period, the amounts invested were returned to the investors. Till date, HDFC Mutual Fund has concluded three offerings of the Cancer Cure Fund (2011, 2014 and 2017) and has raised over ₹ 550 Crore in subscriptions to these products. No investment management fee has been charged by the Company on these schemes.

In support of this social objective, our Company matches the donation of dividends made by investors by contributing an equal amount (subject to a limit of ₹ 15 Crore p.a.), thereby doubling the impact of donations. Till date, this initiative has transformed the lives of over 8,100 cancer patients from across the country.

During the year, we have contributed towards Parivaar Seva Kutir, Ashoka University and Olympic Gold Quest.

Our 220 Investor Service Centres spread across the country provide employment to local people and also engages with various local vendors. We have a diverse group of employees owing to our vast geographical and cultural spread across the country. Over 25% of our permanent workforce are women. We undertake regular training programmes for our people.

We run several investor education drives, at physical locations as well as online. We remain committed towards fair, transparent, efficient, timely and quality oriented customer service. We conduct various training programmes for our distribution partners.

GOVERNANCE

We are governed by a Board consisting of experts having a rich legacy in the banking and financial services sector and an impeccable background in ethics. We have an active, well-informed and independent Board which ensures that the highest standards of corporate governance are followed at the organisation.

Key activities of our Board of Directors include

- Ensuring setting up of corporate governance structures
- Promoting adoption of ethical behaviour
- Facilitating a culture of corporate and social responsibility
- Helping in framing, executing and monitoring of strategies
- Protecting interests of all stakeholders
- Periodically reviewing codes and policies to ensure their conformity with the applicable regulations
- Overseeing compliance with all regulatory requirements applicable to our Company
- Aligning our Company's existing governance practices with the emerging corporate governance trends



Our Board of Directors

Deepak S. Parekh

Non-Executive Director and Chairman

Deepak Parekh [DIN 00009078] is a Non-Executive Director and Chairman on our Board. He has been on our Board since July 4, 2000. He is also the Non-executive Director and Chairman of one of our Promoters, HDFC. 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. He has won several awards, which includes Padma Bhushan conferred by the Government of India in 2006, 'Bundesverdienstkreuz', which is Germany's Cross of the Order of Merit, being 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 and he was also the first international recipient of the Outstanding Achievement Award by the Institute of Chartered Accountants in England and Wales, in 2010 and the 'Lifetime Achievement Award' at CNBC TV18's 15th India Business Leader Awards, 2020.

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. He joined 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 with effect from 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. Some of his recognitions include being awarded "Best Independent Director Award 2014" by Asian Centre for Corporate Governance & Sustainability, the Best CEO Financial Services (Large Companies) 2014 by Business Today magazine, honoured with the 'CA Business Achiever of the year' award in the Financial Sector by the Institute of Chartered Accountants of India in 2011 and CNBC TV18's award for the 'Best Performing CFO in the Financial Services Sector' for three consecutive years - 2006, 2007 and 2008. He is the chairman of the CII National Council on Corporate Governance and was a member of the Committee on Corporate Governance set up by the Securities and Exchange Board of India (SEBI). He is currently a member of Primary Markets Advisory Committee set up by SEBI.

Renu S. Karnad

Non-Executive Director

Ms. Renu Karnad [DIN 00008064] is a Non-Executive Director on the Company's Board since July 4, 2000. She is also the Managing Director of one of our Promoters, HDFC with effect from January 1, 2010. She holds a Bachelor's degree in Law from the University of Mumbai and a Master's degree in Economics from the University of Delhi. She is a Parvin Fellow – Woodrow Wilson School of Public and International Affairs, Princeton University, USA. Some of her recognitions include being awarded 'Outstanding Woman Business Leader' at the CNBC-TV18 Indian Business Leader Awards 2012, being part of the 25 Most Influential Women Professionals in India – India Today Magazine's power list 2011, being featured amongst the list of '25 top non-banking women in finance' by U.S. Banker magazine in 2008, Wall Street Journal Asia adjudged her among the 'Top Ten Powerful Women to Watch Out for in Asia' and Fortune India Magazine's most powerful women for 2011 to 2019. Ms. Karnad is currently the President of the International Union for Housing Finance (IUHF), an association of global housing finance firms.

N. Keith Skeoch**Non-Executive Director**

Mr. Keith Skeoch [DIN 00165850] is a Non-Executive Director on the Company's Board and has been appointed as a nominee of one of our Promoters, Standard Life Investments Limited. He has been on our Board since October 26, 2005. He holds a Bachelor of Arts degree in Economics from University of Sussex, United Kingdom and Master of Arts degree in Economics from University of Warwick. He has been on the board of Standard Life Aberdeen plc (formerly known as Standard Life plc) since 2006 and was appointed Chief Executive Officer in 2015, having been the Chief Executive Officer at Standard Life Investments Limited since 2004. He is a Non-executive Director of the Financial Reporting Council, Chair of the Investment Association and a member of The Takeover Panel in the United Kingdom.

James Aird**Non-Executive Director**

Mr. James Aird [DIN 01057384] is a Non-Executive Director on the Company's Board and has been appointed as a nominee of one of our Promoters, Standard Life Investments Limited. He has been on the Company's Board since April 23, 2009. He holds a degree in Economics from Edinburgh University. He is the Head of Corporate Development for Standard Life Aberdeen plc (formerly Standard Life plc) where he focusses on developing new international business, joint ventures and mergers and acquisitions and is responsible for corporate finance. He joined Standard Life Aberdeen plc in 1997 and has held a number of senior roles within Standard Life Aberdeen plc, including as the Chief Executive of Standard Life Investments mutual fund business and as a director of Standard Life Investments (Asia) in Hong Kong. He was the Chief Executive of Ignis Investment Services Limited, from 2015 – 2020, where he was responsible for the day-to-day management of the business.

Mr. Dhruv Kaji**Independent Director**

Mr. Dhruv Kaji [DIN 00192559] is an Independent Director on the Company's Board with effect from October 31, 2018. He 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 and Balaji Motion Pictures Limited; he was also on the advisory board of Essar Steel Limited. He is currently an advisor, evaluating and guiding business projects, strategies and organisational development, both in India and abroad. He is also a Director on the Board of various companies.

Our Board of Directors (Continued)

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 three-and-a-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 on various issues in 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 a Director on the board of one other listed company. He is fellow member of Institute of Chartered Accountants of India and holds a degree of Bachelor of Science (Hons) from the University of Bombay.

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 was a senior investment banker and has over 25 years of corporate finance advisory and investment banking experience in the country. He was a Senior Advisor to Rothschild India and is experienced in corporate finance advisory and investment banking. He was one of the founder members of Rothschild India. He started his career with ICICI Limited in their merchant banking business in 1990 and subsequently moved to ICICI Securities, the Investment Banking partnership between ICICI and JP Morgan, in 1992. He was involved in a number of domestic capital market transactions, raising equity for Indian companies as well as in domestic loan syndications. He moved to Peregrine Capital India, the Asian Investment Bank, in 1996 where he was responsible for origination and execution of overseas equity and debt capital market deals involving Indian companies. He also 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. He is also a Director on the Board of various companies. Sanjay did his schooling from St. Vincent's High School in Pune and graduated in Commerce from BMCC, Pune. He did his MBA from XLRI, Jamshedpur with specialisation in Finance.

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. He is the Managing Partner of Mahindra Partners. In a career spanning over 20 years, Mr. Shah has held various positions with the Mahindra Group. He has extensive experience in building new businesses, startups, turn arounds, joint ventures and merger and acquisitions. Mr. Shah is a Director on several Mahindra Group companies. He is the Co-Chairman of the Group Diversity Council and is an Executive Committee member of various councils of Mahindra Learning University. He is the Group lead for business representation in Israel. Mr. Shah 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 in addition to other external associations. He has also been associated with several NGOs. He has been recognised by Economics Times and Spencer Stuart as India's Top 40 Business Leaders under the age of 40. He was also featured by India Today as "Leader of Tomorrow" in their anniversary issue. He holds a BS Degree in Computer Engineering from the Illinois Institute of Technology with special electives in Psychology and Manufacturing Technology and is a graduate of the General Management Program from Harvard Business School.

Ms. Roshni Nadar Malhotra Independent Director

Ms. Roshni Nadar Malhotra [DIN 02346621] is an Independent Director on the Company's Board with effect from April 27, 2019. She is the CEO and Executive Director of HCL Corporation. She is also the Vice Chairperson on the Board of HCL Technologies, and Chairperson of its CSR Committee. She is a 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 at every level. Roshni has been featured in 'The World's 100 Most Powerful Women' list compiled and released by Forbes, in 2017, 2018 and 2019, consecutively and 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. She holds an MBA from the Kellogg Graduate School of Management with a focus on Social Enterprise and Management and Strategy.

Mr. Shashi Kant Sharma Additional Independent Director

Mr. Shashi Kant Sharma [DIN 03281847] is an Independent Director on the Company's Board with effect from October 26, 2019. He served as the Comptroller and Auditor General (CAG) of India from May 23, 2013 to September 24, 2017. Before taking office as the CAG, he was the Defence Secretary, Government of India. He was also the Secretary, Department of Financial Services (Ministry of Finance) and Secretary, Department of Information Technology (Ministry of Telecommunication), in the Government of India. In his capacity as CAG of India, Shashi Kant Sharma was elected by the General Assembly of the United Nations as a Member of the UN Board of Auditors in July, 2014, and was chairing the UN Board of Auditors. Mr. Sharma was active on the Governing Boards of the International Organisation of Supreme Audit Institutions (INTOSAI) and the Asian Organisation of Supreme Audit Institutions (ASOSAI). He was chairperson of the INTOSAI's Knowledge Sharing Committee and Working Group on Information Technology. He chaired the 13th Assembly of the ASOSAI (Kuala Lumpur, 2015) and the Commonwealth Auditors General Conference (Delhi, 2017). As a member of the Indian Administrative Service since 1976, Mr. Sharma has also worked in various other capacities in the Government of Bihar and the Central Government, including extensive field assignments in districts. In all, he has over forty years of experience in public policy and management. Shashi Kant Sharma has an M.A. in Political Science from Agra University (India) and M.Sc. in Administrative Science and Development Problems from the University of York (the UK). In June 2016, he was conferred an Honorary Professorship at Nanjing Audit University, China.

Mr. Milind Barve Managing Director

Mr. Milind Barve [DIN 00087839] is the Managing Director of the Company since July 4, 2000. He has a Bachelor's degree in Commerce from the University of Poona and he is also a fellow of the Institute of Chartered Accountants of India. He was associated with HDFC in the capacity of General Manager – Treasury, where he headed the treasury operations for 14 years and was responsible for the management of HDFC's treasury portfolio and for raising funds from financial institutions and capital markets. He was also the head of marketing for retail deposit products and responsible for investment advisory relationships for Commonwealth Equity Fund Mutual Fund and Invesco India Growth Fund.

Our Leadership Team

Spearheaded by our Managing Director, **Milind Barve**, our leadership team has demonstrated track record on execution across different economic cycles. Known for setting industry benchmarks around performance and solid corporate governance practices, this team is truly responsible for enabling our Company to achieve greater heights.

CORPORATE

Alok Sheopurkar
Head - Human Resources

John Mathew
Head - Client Services

Mudeita Patrao
Head – Digitisation

Piyush Surana
Chief Financial Officer

Supriya Sapre
Chief Compliance Officer

Sylvia Furtado
Company Secretary

V Suresh Babu
Head - Operations

SALES

Kiran Kaushik
Head - Sales and Distribution

Naveen Gogia
Head – Sales (North & West)

Rajiv Maniar
Head – Sales (East & South)

Shyamali Basu
Head – Products
and Marketing

Simal Kanuga
Head – PMS Sales
& New Initiatives
and Chief Investor
Relations Officer

INVESTMENTS

Prashant Jain
Executive Director and
Chief Investment Officer

EQUITY

Amit Ganatra
Senior Fund Manager

Chirag Setalvad
Senior Fund Manager

Krishan Kumar Daga
Senior Fund Manager

Rakesh Vyas
Fund Manager and Senior Equity Analyst

Vinay Kulkarni
Senior Fund Manager

FIXED INCOME

Anil Bamboli
Senior Fund Manager

Anupam Joshi
Fund Manager

Shobhit Mehrotra
Senior Fund Manager and Head of Credit

Management Discussion and Analysis

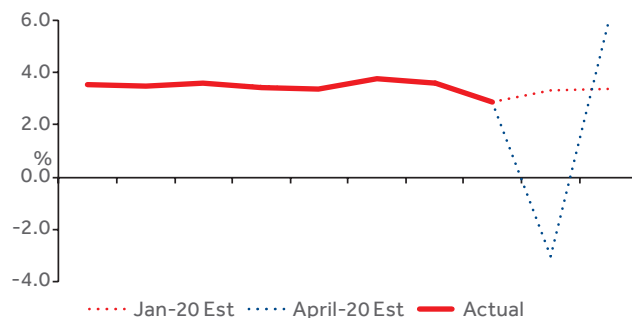
A. Economic environment

A.1. Global

FY 19-20 was an eventful year for the global economy. During the first nine months, trade tensions between US and China, subsequent Phase-I agreement, geopolitical tensions between US & Iran, growth slowdown in China, uncertainty around BREXIT, among others were the key developments. Events took an unfortunate turn with the outbreak of Covid-19 in the last quarter of FY 19-20. Till February 2020, cases were largely concentrated in Hubei province of China but by March 2020, all major countries were impacted and it was declared a Global Pandemic by the World Health Organisation (WHO). To contain the outbreak, many economies implemented partial or full shutdown which, in turn, significantly disrupted the economic activity and resulted in large job losses. Most asset classes including equities and commodities fell sharply, and there was a substantial increase in volatility in the financial markets. Oil prices, in particular, fell to unprecedented levels (brent crude price fell below US\$ 20/ barrel) due to severe demand destruction because of lockdown and breakdown of alliance between OPEC and Russia following disagreement regarding cut in oil production.

In view of the above developments, International Monetary Fund (IMF) revised down its Global GDP growth forecast for Calendar Year (CY) 2020 to -3% from +3.3%. However, it expects the growth rate to bounce back to 5.8% in CY 2021 owing to a low base and normalisation of economic activity.

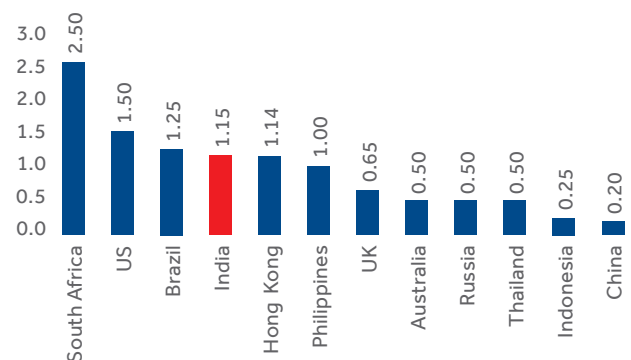
Global GDP growth forecast revised down sharply for CY 20



Source: IMF

With a view to cushion the economic impact, most global central banks reduced the policy rates significantly. US Fed reduced the target fed fund rate by 150 bps (in addition to 75 bps rate cut in 9MFY20) and brought it down to near zero in March 2020. US Fed and ECB also restarted their Quantitative Easing (QE) programme to support liquidity. US Fed also took steps like providing US\$ swap lines to major central banks, launching facilities to purchase corporate bonds & commercial papers, among others to ease liquidity. This was supplemented by fiscal stimulus measures by many countries, notable being US and Japan who announced fiscal stimulus to the tune of ~10% and ~20% of their GDP respectively. Major fiscal measures included cash transfers, interest free loans, supporting exports, reduction in taxes and so on.

Rate cuts since Feb 2020 (%)



Source: JM Financials

These measures helped reduce volatility in financial markets and ease global liquidity. In view of the policy support and gradual reopening of global economy, we believe there are reasons to remain optimistic about global economic growth over the medium-term.

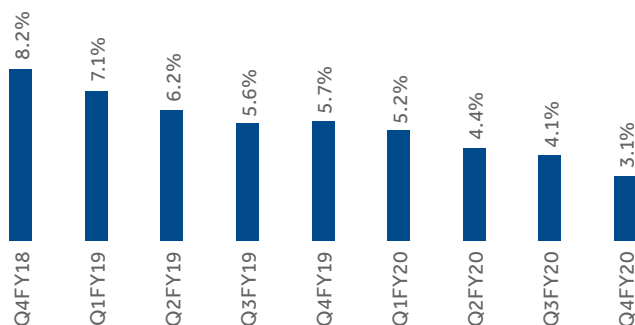
A.2. India

Indian economy experienced a difficult year with GDP growth touching a decadal low of 4.2% in FY 19-20. Economic growth was trending down even before the outbreak of the pandemic, primarily driven by slowdown in personal consumption and weak investment activity. The growth in consumption, which was supported by a rise in

household (HH) debt and falling savings over the last few years, softened in FY 19-20 as liquidity challenges faced by many NBFCs reduced access to debt, especially for lower income HHs.

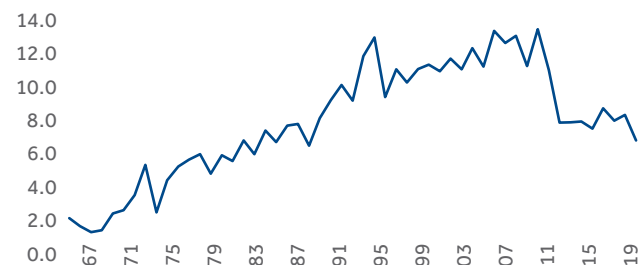
In this backdrop of falling HH savings, rising HH debt and weak growth, Covid-19 and nationwide lockdown amplified the challenges.

Quarterly GDP growth (YoY)



Source: CMIE

Net household financial savings as a % of GDP

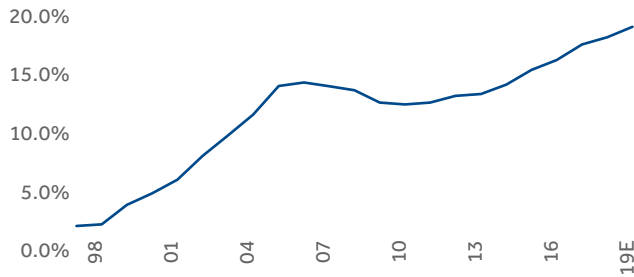


Source: Kotak Institutional Equities

Key highlights of FY 19-20

- Corporate tax rate was reduced from 30% to 22%; Concessional tax rate of 15% introduced for new manufacturing units set up on or before March 31, 2023.
- Announcement of ₹ 100 Lakh Crore National Infrastructure Pipeline, constituting social and infrastructure projects, to boost infrastructure spending.
- Concerns over asset liability mismatches and asset quality of NBFCs increased during the year following default by a major housing finance company (HFC).
- Supreme Court upheld the rights of financial creditors in Essar Steel case under the Insolvency and Bankruptcy code (IBC).
- Bankruptcy resolution mechanism for NBFCs was introduced under IBC.
- Restructuring of Yes Bank was completed as SBI-led group of banks picked up equity stake in the private bank and replaced its board.
- Winding up of six fixed income schemes by Franklin Templeton (in April 2020) due to rise in redemption pressure and limited liquidity of the securities held in the schemes.
- Imposition of nationwide lockdown from March 25, 2020 on the back of outbreak of Covid-19. Government has started easing restrictions in phases starting May 18, 2020.
- Moody's downgraded India's sovereign rating to Baa3/Outlook negative (June 2020) from Baa2/Outlook Negative. Earlier in November 2019, Moody had revised the outlook to Negative from Stable while keeping the rating unchanged at Baa2. The revised rating is same as rating of other International rating agencies S&P and Fitch which are at BBB-. Fitch has also revised India's rating outlook to Negative from Stable in June 2020.

India household debt to GDP



Source: Morgan Stanley Research

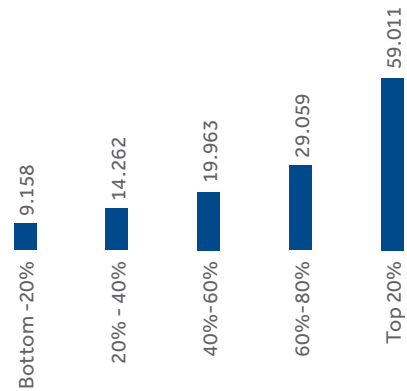
The real impact of the lockdown will be felt in FY 20-21, especially in the first half. As the economy opens up gradually, GDP will continue to be impacted due to muted discretionary consumption and postponement of private capex.

It is estimated that GDP will contract by ~6% in FY 20-21. In FY 21-22, assuming 12 months of normal economic activity, reported growth rate is likely to be over 7%.

Source: UBS Securities

We believe that the impact on wages and consumption, especially discretionary consumption, could persist for some time. Lockdown is likely to hit corporate profitability and cashflows adversely in FY 20-21, especially in labour intensive/service oriented sectors like construction, aviation, retail, trade, transportation, tourism, hospitality, export oriented businesses, MSMEs, among others. Further, social distancing practises are also likely to reduce the demand in many of aforesaid sectors. This, in turn, will keep wages under pressure. Given the fact that construction and services accounts form ~60% of GDP and employ 40% of labour force in India, incomes of a large section of population are likely to come under pressure. It should also be kept in mind that income distribution in India is skewed and the bottom 50% of India's population has a share of only 15% in national income and average earning per HH in this segment is ~ ₹ 20,000 per month. In this scenario, we believe that impact on consumption could persist for longer.

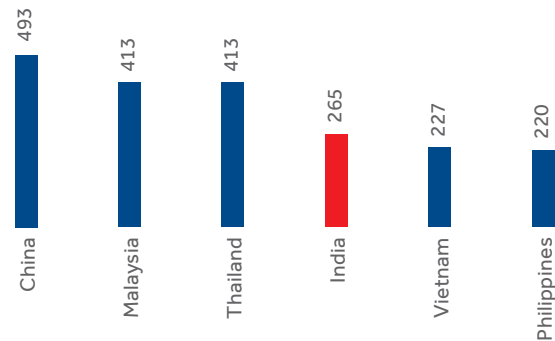
Average monthly income per household (₹)



Source: ICE Survey 2016

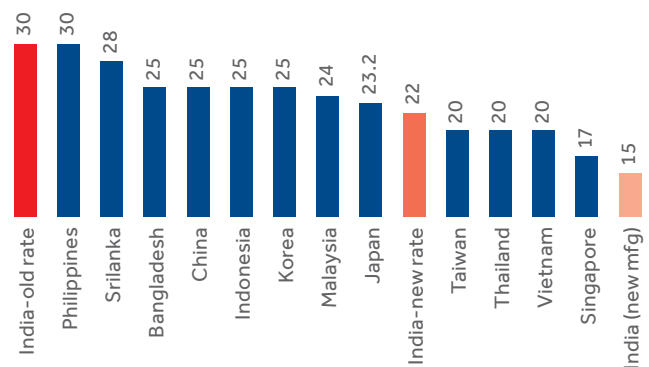
Figures are extrapolated using nominal GDP growth between FY 15-16 to FY 19-20 by HDFC AMC

Manufacturing wages in China materially higher (US\$ per month)



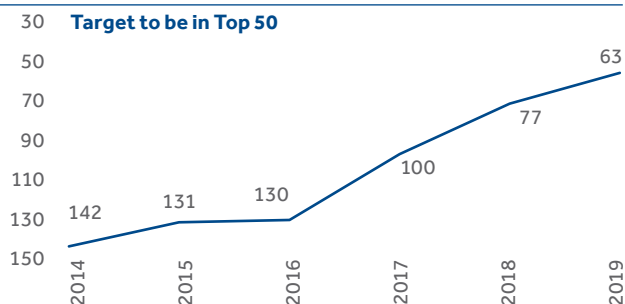
Source: JETRO

Base corporate rate tax



Source: Kotak Institutional Equities

India's rank in 'Ease of Doing Business' consistently improves



Source: Kotak Institutional Equities

However, we believe that the long term growth drivers of India are intact and growth is likely to normalise FY 22-23 onwards driven by favourable demographics, unmet infrastructure needs, low interest rates, abundant natural resources, low penetration of consumer goods and several key reforms by the government.

Growth would also be supported by the likely shift of some global manufacturing from China to India. Shift in manufacturing from China was already taking place since last few years driven by rising wages and environment compliance costs. This is likely to accelerate as disruption in supply chain due to Covid-19 has highlighted the risk of overdependence on a single country. This should benefit India as factors like concessionary corporate tax rate of 15% for new manufacturing units, skilled population, relatively low wages, abundant natural resources, improving ease of doing business and a large domestic market, should work in its favour.

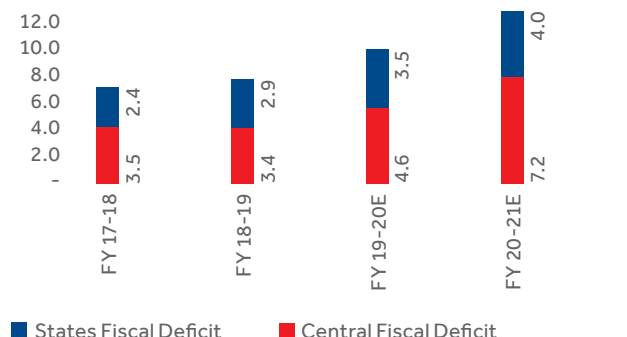
Fiscal situation: Government finances were already stretched with Central Government's fiscal deficit rising to 4.6% in FY 19-20 (FY 18-19: 3.5%) vis-à-vis budgeted estimate of 3.3% on the back of significant shortfall in revenues. Slowdown in growth and reduction in corporate tax rates impacted both indirect and direct tax revenues during FY 19-20.

Fiscal position is set to worsen in FY 20-21 with tax revenues likely to shrink due to the lockdown, weak corporate profitability and pressure on incomes.

Further, divestment receipts and non-tax revenues are also likely to be below budget estimates. Additionally, announced fiscal stimulus will also impact the fiscal deficit. However, following the sharp fall in oil prices, government has increased duties on petrol and diesel which should offset the impact of fall in revenues to some extent. Further, successful strategic divestments of key PSUs could also

provide meaningful relief on the fiscal front in the current year. On an overall basis, Centre's fiscal deficit is likely to rise to ~7% in FY 20-21 (Source: Kotak Institutional Equities).

Combined Fiscal Deficit (% of GDP)



Source: HDFC AMC estimates

States' finances are also stretched and aggregate state fiscal deficit is likely to widen to 4%-4.5% of GDP in FY 20-21 (FY 19-20E: 3.5%). State governments are now being allowed to borrow upto 5% of their GSDP (upto 0.5% unconditionally and additional 1.5% on meeting defined reform targets), as compared to earlier limit of 3%. Thus, combined fiscal deficit could breach 10% of GDP in FY 20-21.

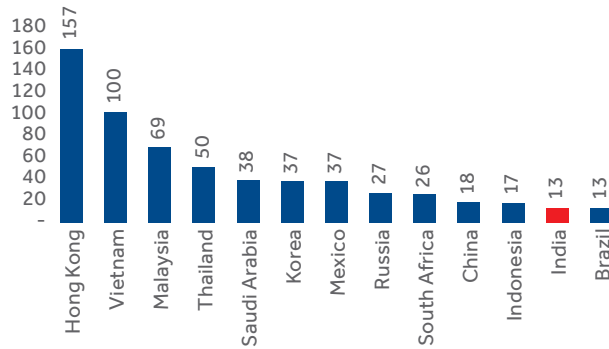
External sector: In an otherwise difficult economic environment, external sector offers a silver lining. While FY 19-20 was a good year, with current account deficit narrowing, FY 20-21 is likely to be even better. This will be largely driven by improvement in trade deficit due to sharp fall in oil prices and decline in imports of discretionary items like gold, electronics, among others owing to weak domestic demand. This will be partially offset by decline in exports (on back of weak global trade) and reduced remittances, especially from Gulf countries. On an overall basis, in FY 20-21, India's current account might turn into surplus after 16 years. Further, India's forex reserves also remain near life time high of US \$ 476 billion as of end-March 2020.

India - a unique emerging economy: While India is generally clubbed with other emerging markets (EMs), especially during uncertain times, there are notable difference between India and other EMs.

Many of the EMs have high dependence on manufactured exports and/or oil /commodity exports. India, on the other hand, is a large net importer of oil, consumer discretionary goods and gold and its dependence on exports (~13% of GDP) is relatively low as compared to other EMs.

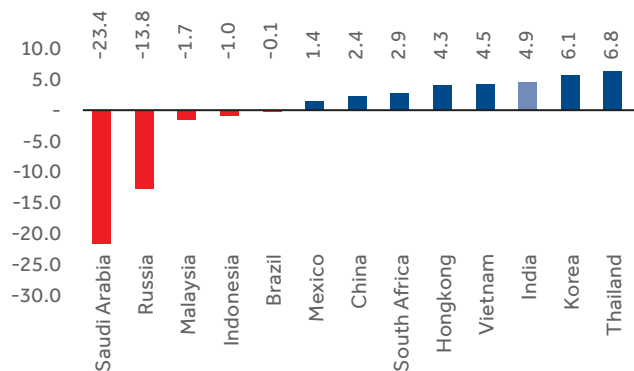
Given this backdrop, India's Balance of payment (BoP) is likely to improve in the current environment.

Merchandise exports as % of GDP (2018)



Source: Bloomberg, Worldbank, JM Financials estimates

Net oil imports as % of GDP (2018)

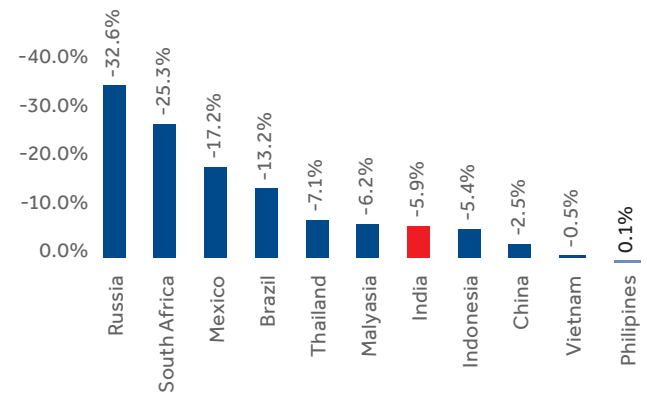


+/- means net oil importers/exporters respectively

Source: Worldbank, JM Financial Institutional Securities estimates

India's comfortable BoP outlook supported the ₹ and despite highest ever one month selling in March 20 by FPIs (US\$ 8.3 billion), the depreciation in ₹ against US\$ was relatively low as compared to other EMs.

Currency movements against US\$ in CY 20



Source: Bloomberg; updated till May 29, 2020

Average inflation in FY 19-20 increased to 4.8% (FY 18-19: 3.4%) driven by rise in food prices. Food and beverage inflation averaged ~6% in FY 19-20 (FY 18-19: 0.7%) primarily led by sharp increase in vegetable prices. On the other hand, core inflation (CPI excluding food and fuel) softened and averaged ~4.1% in FY 19-20 (FY 18-19: 5.8%). CPI might remain high in the near term on the back of elevated food prices due to supply chain disruptions but is likely to moderate as supply constraints ease post opening up of the economy, weak aggregate demand and base effect.

Steps taken by the government and the RBI to counter the impact of Covid-19

Fiscal measures

- Distribution of free food grain (upto 5 kg) to vulnerable section of society for three months.
- Increased allocation to MNREGA by ₹ 40,000 Crore to ₹ 1,00,000 Crore for FY 20-21.
- Guaranteed collateral free loan upto ₹ 3 Lakh Crore for businesses (20% of outstanding amount as of end-February 2020) with turnover upto ₹ 100 Crore and outstanding credit upto ₹ 25 Crore.
- Providing funds to be infused as subordinate debt (₹ 20,000 Crore) and equity in MSMEs (₹ 50,000 Crore).
- Announced agriculture sector reforms like amending the Essential Commodities Act, allowing barrier free trade and so on for better price realisation for farmers and to encourage private investments in the sector.
- Announced special liquidity facility for NBFCs (₹ 30,000 Crore) and also expanded scope of Partial credit guarantee scheme.
- To provide one-time loans to Power Distribution Companies (Discoms) of ₹ 90,000 Crore, guaranteed by State government, to clear off their dues to generating and transmission companies.

- Announced draft power bill and tariff policy to improve Discoms' financial health, timely payment to power generation companies (Gencos), direct benefit transfer of subsidies, etc.
- To push towards privatisation of CPSEs through strategic sales, especially in non-strategic sector.
- To allow commercial mining in coal and minerals; to push for development of related infrastructure.
- To increase domestic procurement in defence; to corporatising board of ordinance factories.
- Increased state borrowing limits by 2% to 5% of GSDP (0.5% unconditional and rest subject to progress on reforms).

Monetary measures

- Permitting Banks and NBFCs to provide moratorium on payment of instalment on loans and interest on working capital loans for six months starting March 1, 2020.
- Reduction in repo rate by 225 bps to 4.0% (including 110 bps reduction before outbreak of Covid-19) and reverse repo rate by 265 basis points to 3.35%.
- Reduction in cash reserve ratio by 1% to 3% for a year.
- Regularly conducting purchases under OMOs and foreign exchange purchases, thus maintaining ample liquidity within the system.
- Conducted Long Term Repo Operations (LTROs) and targeted LTROs (TLTROs), of aggregate amount of ₹ 1 Lakh Crore each at floating rate and linked to repo rate. The amount under TLTRO had to be invested in commercial papers, non-convertible debentures and corporate bonds.
- Announced TLTRO 2.0 of ₹ 50,000 Crore for NBFCs with 50% carve out for weaker NBFCs and MFIs. However, the response from banks has been muted for this facility and only ₹ 12,850 Crore has been availed.
- Announced a Special Liquidity Facility for Mutual Funds (SLF-MF) in April 2020 for purchasing bonds/CPs/ Debentures/ Certificates of deposits etc. from MFs or extending loans to them.
- Provided refinancing facility to SIDBI, EXIM Bank, NABARD and National Housing Bank at repo rate.

Equity markets

The S&P BSE SENSEX / NIFTY 50 ended FY 19-20 with large negative returns but outperformed mid-cap and small cap indices. With the sharp underperformance of small and mid-caps over the last two years, the long term returns of large caps and small/mid-caps have largely converged. Performance of major sector indices was negative for the year with Metals, Auto, Capital Goods and Banking underperforming significantly.

All major global indices, namely, S&P, FTSE, DAX, Nikkei, Shanghai, delivered negative returns but most of them outperformed NIFTY 50. Notably, while India has underperformed in FY 19-20, it has outperformed most of the other markets over a 10-year period.

% CHANGE IN INDICES	FY 18-19	FY 19-20
S&P BSE India Auto	(21.7)	(42.9)
S&P BSE India Bankex	25.5	(35.4)
S&P BSE India Capital Goods	(0.0)	(40.6)
S&P BSE India FMCG	14.1	(12.7)
S&P BSE India Healthcare	9.5	(15.7)
S&P BSE India Metal	(14.8)	(49.7)
S&P BSE India Power	(4.3)	(32.3)
S&P BSE India Oil & Gas	4.5	(34.4)
S&P BSE India IT	26.3	(16.0)
S&P BSE SENSEX	17.3	(23.8)
NIFTY 50	14.9	(26.0)
NIFTY Midcap 100	(2.7)	(35.9)
NIFTY Smallcap	(14.4)	(46.1)

Source: Bloomberg

% CHANGE IN INDICES	1 Year	5 Year	10 Year
S&P 500	-15.5	4.3	7.3
FTSE	-22.1	-3.5	0.0
DAX	-13.8	-3.7	4.9
CAC	-17.8	-2.7	1.0
Nikkei	-10.8	-0.3	5.5
Hang Seng	-18.8	-1.1	1.1
KOSPI	-18.0	-3.0	0.4
Shanghai	-11.0	-6.0	-1.2
MSCI EM Index	-19.8	-2.7	-1.7
S&P BSE SENSEX	-23.8	1.1	5.3
NIFTY 50	-26.0	0.3	5.1
NIFTY Midcap 100	-35.9	-2.1	4.3

For the period ended March 31, 2020

Most of the fall in Indian equities happened in the month of March 2020 driven by highest ever one month selling by FPIs (US \$ 8.3 billion, ~0.4% of Indian market capitalisation). Notably, ~85% of the fall in NIFTY 50 during the year occurred in March 2020 alone.

Despite large selling during March 2020, FPI flows for FY 19-20 were positive at US\$ 1.3 billion (FY 18-19: US\$ 0.1 billion). Inflows into domestic equity oriented mutual funds moderated to US\$ 9.5 billion, compared to previous year (US\$ 17 bn).

Inflows were supported by steady Systematic Investment plans (SIPs), averaging ~US\$ 1.2 billion per month during the year.

As of end-March 2020, India's market capitalisation to GDP stood at ~50%, a level seen last post correction during global financial crisis in FY 08-09. Historically, whenever market capitalisation to GDP fell below ~60%, future equity returns over 1 to 3 years have been strong. Further, it has been observed that investments made during the time when FPIs were large sellers, have yielded good returns over the medium term (refer tables below).

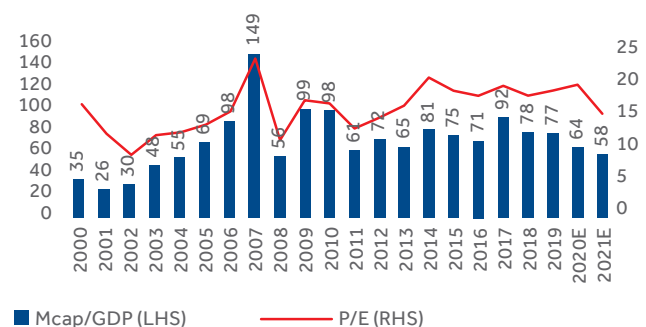
END OF CY	Marketcap to GDP	Next 1 year NIFTY returns	Next 3 year NIFTY returns
2003	48	11%	111%
2004	55	36%	195%
2008	56	76%	113%
2011	61	28%	79%
2013	65	31%	30%

Source: Bloomberg

Year	90 days period ending	FII Flows (INR Crores)				% NIFTY Return next 360 days
		Outflows*	next 360 days	FII outflows as % of India total Market Cap		
2006	11-Aug-06	-4,758	95,307	-0.2%	33%	
2008	29-Oct-08	-30,428	111,664	-1.1%	85%	
2011	13-Dec-11	-12,680	200,042	-0.2%	23%	
2013	1-Oct-13	-6,938	171,914	-0.1%	38%	
2015	18-Dec-15	-30,179	73,552	-0.3%	5%	
2016	29-Feb-16	-26,497	93,963	-0.3%	28%	
2017	8-Feb-17	-30,414	44,457	-0.3%	23%	
2018	9-Nov-18	-38,872	68,564	-0.3%	13%	

Source – Edelweiss; Maximum outflow on a 90 days rolling period

Post the fall in March 2020, Indian equity markets are trading at attractive valuations with Indian market capitalisation to GDP below 60% (based on 2022 GDP estimates) as of end-May 2020. Further, one year rolling forward price to book value of NIFTY 50 is also trading significantly below its long term average. Thus, while GDP growth is likely to be impacted significantly in near term, in view of the prevailing valuations, our medium term outlook on equities is positive.

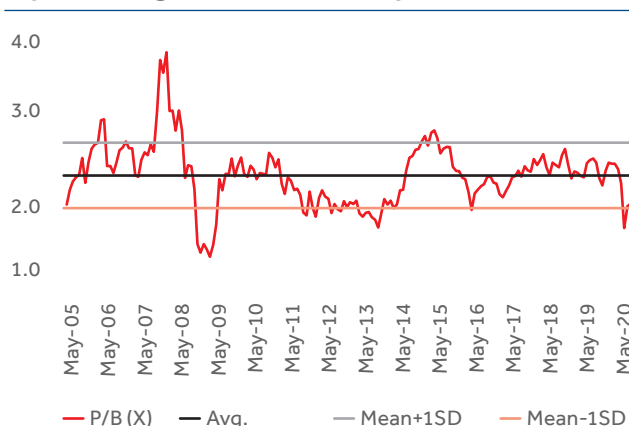


■ Mcap/GDP (LHS) — P/E (RHS)

For 2020E and 2021E, Market cap/NIFTY as on May 31, 2020 is taken; GDP estimates are for 2020E and 2021E respectively. For 2020E, PE based on free-float EPS as of March 2021 end and for 2021E EPS of March 2022 end is used

Source: Kotak Institutional Equities

1-year rolling forward PB of Nifty-50 Index



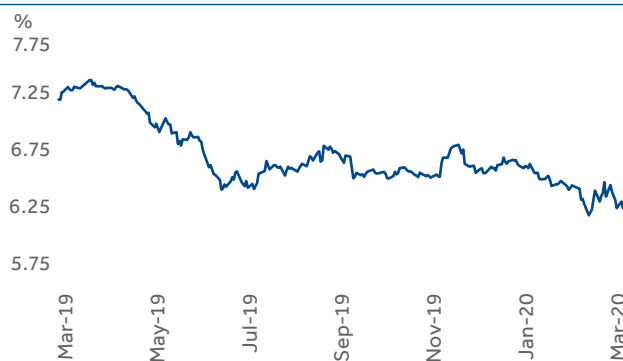
Source: Kotak Institutional Equities

Significant rise in spread of coronavirus, adverse global events, sharp rise in crude oil prices, sharp moderation in equity-oriented mutual funds flows, higher than expected NPAs post the moratorium, are key risks for equities in the near term.

Debt markets

FY 19-20 was a mixed year for Indian Fixed income markets. Gsec yields moved lower during the year but the credit markets faced a challenging time. The yield on 10-year benchmark Gsec moved lower from 7.35% to 6.14%, down ~121 bps. This was driven by 185 bps rate cuts by RBI (additional 40 bps in first two months of FY 20-21), ample system liquidity, slowdown in growth and decline in global yields.

India 10 year yield



Source: Bloomberg

Yield curve also steepened significantly during the year with difference between 10Y benchmark Gsec yield and repo rate increasing to 174 bps from 110 bps a year ago. This was driven by widening of fiscal deficit and ample system liquidity.

Going forward, low global rates, subdued oil prices, ample liquidity, weak outlook on growth, bode well for lower yields, especially at the shorter end of the yield curve.

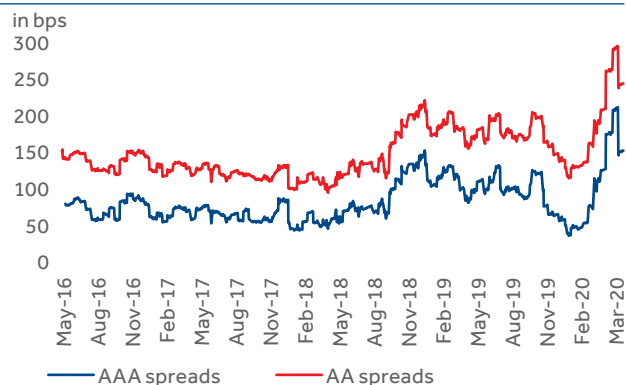
However, overhang of large government borrowing, sharp reversal in oil prices, are the key downside risks.

Credit markets had a very tough FY 19-20 due to a series of events highlighted in the adjacent table. The stress in credit markets worsened with write down of Additional Tier – I bonds of Yes Bank, impact of nationwide lockdown and announcement of winding up of six schemes by Franklin Templeton (April 2020). These events resulted in the sharp widening of the spreads of select NBFCs and non-AAA corporate bonds during the year. RBI announced a host of measures to improve liquidity and to ensure credit flows to all segments (refer page numbers 29-30 for details) which have helped the markets stabilise, to a certain extent.

Month	Major Credit Events
Sep-18	Default by IL&FS Group
Oct-18	Sale of DHFL bond at higher yield and subsequent default by DHFL in June 19
Jan-19	Default by IL&FS Road annuity SPVs
Jan-19	Sharp correction in Zee Group Entities share prices leading to stress on LAS transactions
Feb-19	Default by Anil Ambani Group companies
Jun-19	Default by Cox & Kings
Jun-19	Default by Sintex Group
Jun-19	Rise in the yields of other HFCs post default by DHFL
Jul-19	Promoter of CCD commits suicide due to financial stress in CCD
Sep-19	Default by Altico Capital
Nov-19	Default by Simplex Group
Jan-20	Franklin Templeton writes down and side pockets its exposure in Vodafone Idea to Zero
Feb-20	Write Down of Yes bank AT1
Apr-20	Wind-up of 6 Schemes of Franklin Templeton announced. Increase in Credit Spreads due to redemption pressures

Source: Publicly available information

Spreads over 3Y Gsec



Source: Bloomberg

A.3. Industry insight

The Mutual Fund industry's closing AUM as of March 31, 2020 fell by 6% to ₹ 22.3 Lakh Crore as against a closing AUM of ₹ 23.8 Lakh Crore as of March 31, 2019. During this period, the equity oriented AUM fell from ₹ 10.2 Lakh Crore to ₹ 8.3 Lakh Crore while the non-equity oriented AUM grew from ₹ 13.6 Lakh Crore to ₹ 14.0 Lakh Crore. As can be seen from above, the fall in overall AUM can be attributed to the fall in equity oriented AUM, which fell by 19% due to the fall in market, primarily in the month of March 2020. The Quarterly Average Assets Under Management (QAAUM) for the industry rose by 10% to ₹ 27.0 Lakh Crore for the quarter ended March 2020, as against ₹ 24.5 Lakh Crore for quarter ended March 2019. QAAUM for equity-oriented assets grew by 7% for the quarter ended March 2020 over the quarter ended March 2019, and QAAUM for non-equity assets grew by 13% for the quarter ended March 2020 as against the quarter ended March 2019. During FY 19-20, industry saw net inflows to the tune of ₹ 0.67 Lakh Crore in equity assets, ₹ 0.64 Lakh Crore for others (including Arbitrage funds, Exchange Traded Funds (ETF) and Fund of Funds (FoF)), while debt saw outflows to the tune of ₹ 0.37 Lakh Crore. This means that on overall basis, industry saw net inflows of ₹ 0.87 Lakh Crore.

As of March 2020, individual investors contributed to 52% of the industry monthly average AUM (MAAUM) adding up to ₹ 12.9 Lakh Crore, while institutional investors contributed to the tune of ₹ 11.8 Lakh Crore which is 48% of industry MAAUM. The number of individual live accounts for the industry as of March 31, 2020 stood at 8.93 Crore versus 8.21 Crore as of March 2019. During FY 19-20, the MF industry saw inflows of ₹ 1 Lakh Crore through systematic investment plans. For the month of March 2020, MAAUM for the industry was split in the ratio of 84-16 between the top 30 cities (T30) and beyond the top 30 cities (B30). The total MAAUM for the industry in March 2020 stood at ₹ 24.7 Lakh Crore.

Favourable regulatory policies have propelled the interest for mutual fund products.

The Securities and Exchange Board of India (SEBI) introduced certain new provisions, and revised the existing provisions. Some of the key regulatory measures introduced by SEBI include -

- Introduction of the Stewardship code for Mutual Funds with respect to their investments in listed entities, implementation timeline of which was subsequently extended to provide some relaxation during the pandemic.
- Revision of guidelines on systems audit in view of the importance of systems in technology driven asset management activity.
- Revising the guidelines for valuation of debt and money market instruments, it also introduced guidelines on polling process to be adhered to by Valuation Agencies and the AMCs, reviewed the investment norms for investment in Debt and Money Market Instruments and revised the limits for exposure in such instruments by the mutual fund schemes.
- Allowing mutual funds to invest in Exchange Traded Commodity Derivatives subject to compliance with the stipulated guidelines, introducing norms for Debt Exchange Traded Funds (ETFs)/Index Funds schemes and introduced provisions to augment the risk management framework for liquid and overnight funds.
- Amending the categories of Foreign Portfolio Investors (FPIs), to whom investment management and advisory services can be provided by an asset management company managing mutual funds. SEBI can also prescribe conditions subject to which such services can be provided to these FPIs.
- Issuing principles and broad guidelines to be followed for utilisation of amounts set aside for investor education, issuing guidelines for mutual fund distributors and SEBI registered intermediaries to use Aadhaar based e-KYC facility to complete the KYC procedure for clients, introducing requirement of mandatory investment by the Sponsor or the AMC in the new fund offer of close ended schemes. This provision was hitherto applicable to other than close ended schemes.

In light of the pandemic, SEBI introduced temporary relaxations and took steps to reduce compliance burden on mutual funds and portfolio managers such as:

- Providing extensions for regulatory requirements such as validity of NISM certification, risk management framework implementation for liquid funds, compliance requirement for debt fund sector limits, mark to market valuation of debt securities, mandatory disclosures, NFO timelines, SID/SAI/KIM updating, Trustee meeting requirement and various other disclosure requirements.
- Reduction of the cut-off timing for both subscription and redemption for a temporary period. Registrars, Transfer Agents and other market participants were given relaxations with regards to timelines on certain customer service activities.
- Relaxation of access controls presently exercised in the dealing room including call recording of deals as well as relaxation of other administrative requirements.
- Revision of the provision related to defaults (and resultant impact on valuation). This has enabled AMCs to also restructure the receivables under such loans. It also revised the exposure of Mutual Funds with regard to equity index derivatives, short and long positions. Additional position limits were also made available with regard to equity index futures and options contracts.
- Permitted notices and addendums with respect to schemes to be published on the website of the AMC and the same is required to be released in the digital version of newspapers. Regulatory submissions as well, are permitted to be filed by email in lieu of hard copies.
- Extension of ELSS investment for claiming deduction under Section 80C for FY 19-20.

During the year, the regulatory body repealed the earlier SEBI (Portfolio Managers) Regulations, 1993 and introduced SEBI (Portfolio Managers) Regulations, 2020. The key changes inter-alia include enhancement of the eligibility criteria and defining the role of Principal Officer, increment of net-worth requirement from ₹ 2 Crore to ₹ 5 Crore, increase of minimum investment amount by clients from ₹ 25 Lakh to ₹ 50 Lakh.

Indian mutual fund industry: recent trends

The AUM of the mutual fund industry in India has grown at a CAGR of 15.5% over the past five years, with the equity AUM growing at a CAGR of 17.3%. Rising awareness about benefits of investing in equity markets, growing popularity of ways of investing, such as SIP, are some of the factors contributing to the increased participation of domestic individual investors in the Indian mutual fund industry. The MAAUM of individual investors in the industry has reached ₹ 12.9 Lakh Crore in March 2020 and has recorded a growth of 18.2% since March 2015. The number of individual folios have increased from 4.14 Crore to 8.93 Crore in this period. Net inflows into the industry over the past five fiscal years were ₹ 9.46 Lakh Crore, of which ₹ 6.47 Lakh Crore have been in equity-oriented schemes. On the other hand, fixed income products including liquid funds have seen increased popularity amongst corporate, as well as retail and high net worth investors.

The monthly SIP flows grew 2.8 times from April 2016, to ₹ 8,641 Crore in March 2020. The number of SIP transactions processed in March 2020 was 3.12 Crore as compared to 1.01 Crore in April 2016. SIPs offer the benefit of regular investing coupled with benefits of rupee cost averaging and are typically sticky long term inflows and lend visibility and predictability of AUM growth.

In this period, Indian equity markets achieved a healthy balance between the domestic institutional investors (largely Mutual Funds) and Foreign Portfolio Investors (FPIs), thereby significantly reducing the skew towards reliance on FPI inflows, lending more stability to the Indian markets.

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

5-Year CAGR : 15.5%

	2016	2017	2018	2019	2020
Equity AUM	4.26	6.28	9.22	10.21	8.26
Debt AUM	5.84	7.61	7.99	7.30	7.76
Liquid AUM	1.99	3.14	3.36	4.36	4.15
Others	0.24	0.52	0.79	1.93	2.09
Total	12.33	17.55	21.36	23.80	22.26

Source: AMFI

Data as of March 31 each year

March 2015 has been taken as the base for CAGR calculation.

B. Review of the business

B.1. Business overview

HDFC AMC is the investment manager to HDFC MF and with a total QAAUM of ₹ 3.70 Lakh Crore for the quarter ended March 2020, and closing AUM of ₹ 3.19 Lakh Crore as of March 31, 2020. Equity-oriented closing AUM forms 38% of our total AUM, with the rest coming in from non-equity-oriented closing AUM.

Our diverse and vast suite of savings and investment products, coupled with well laid out and strong distribution network, across asset classes has been and will continue to be the backbone of its growth.

This diversified product mix provides HDFC AMC with the flexibility to operate successfully across various market cycles, cater to a wide range of customers from individuals to institutions, address market fluctuations, reduce concentration risk in a particular asset class and work with diverse sets of distribution partners. We also provide portfolio management and separately managed accounts services to HNIs, family offices, domestic corporates, trusts, provident funds, and domestic and global institutions. As on March 31, 2020, the aggregate assets under these services were at ₹ 8,530 Crore.

B.2. Operational performance review

Our Company's closing AUM as of March 31, 2020 fell by 7% to ₹ 3.19 Lakh Crore as against a closing AUM of ₹ 3.44 Lakh Crore as of March 31, 2019. During this period actively managed equity-oriented AUM fell from ₹ 1.64 Lakh Crore

to ₹ 1.20 Lakh Crore while the non-actively managed equity oriented AUM grew from ₹ 1.80 Lakh Crore to ₹ 1.99 Lakh Crore. As can be seen from above, the fall in overall AUM can be attributed to the fall in equity oriented AUM. HDFC AMC's equity oriented AUM fell due to a fall in the markets as represented by a 23% fall in NIFTY 50 during the month of March 2020. Our Company's total mutual fund QAAUM rose by 8% to ₹ 3.70 Lakh Crore for the quarter ended March 2020, as against ₹ 3.42 Lakh Crore for the quarter ended March 2019. QAAUM for actively managed equity-oriented assets grew by 2% for the quarter ended March 2020 as against the quarter ended March 2019, and QAAUM for non-actively managed equity assets grew by 13% for the quarter ended March 2020 as against the quarter ended March 2019.

We remain the most preferred choice for individual investors, with the highest market share in assets from individual investors at 15.0%. We had about 56 Lakh unique investors at the close of the year as against 2.08 Crore unique investors in the MF industry. In other words, 27 out of every 100 Mutual Fund investor in India has invested in one or more of HDFC Mutual Fund schemes. We had a market share of 14.3% in total closing AUM, and 14.7% market share in actively managed equity oriented funds. Equity-oriented assets formed 38% of our total AUM.

The number of live accounts we serve increased by 3% Year on Year to reach 94 Lakh. HDFC AMC processed 32.9 Lakh systematic transactions in the month of March 2020, amounting to ₹ 1,130 Crore. Our systematic transactions remained stable during the year. About 81% of all systematic transaction at the time of signing up have been signed up for over five years and about 69% for over 10 years.

Ensuring business continuity during the lockdown

Actioning our Business Continuity Plan (BCP)

Post announcement of the lockdown to curb the spread of the coronavirus pandemic, we successfully activated our BCP. All our branches/offices remained closed and all our transactions were moved to digital platforms in compliance with AMFI circular dated March 23, 2020. HDFC AMC's entire team worked from home during the lockdown period and continued to engage with customers, partners and service providers.

Our IT systems and digital platforms were the pillars on which we continued to operate seamlessly even from remote locations. We enhanced the capacity of our cloud-based infrastructure to manage the additional online volumes and activity.

More than two-thirds of our transactions (non-systematic and new systematic registrations) during the year and last quarter of the year were carried out electronically. Being at the forefront of embracing digitalisation helped us maintain continuity and efficacy of our sales process during this tough time. In addition to providing comprehensive digital solutions to our partners and investors, we also conducted online meetings to ensure smooth flow of information.

Our teams are available for any kind of assistance required by our customers and distributors for processing of transactions online. We have been leveraging our digital platforms comprising the corporate website,

1. Source: Industry- www.amfiindia.com, Company-Internal

2. For details on Mutual Fund AUM, Refer page 4 & 5

mobile applications, the CAMS online platform, messaging services (including WhatsApp) and pre-filled transaction links. We also provide our distributors online facilities such as a digital marketing tool, a financial planning platform and so on, to facilitate their communication with customers. Our investment and sales teams' interaction with distributors and customers are carried out over video and audio calls.

B.3. Financial performance review

- Our Company's Total Income has increased by 2.22% to ₹ 2,143.43 Crore in FY 19-20.
- The Profit After Tax (PAT) stood at ₹ 1,262.41 Crore and grew by 35.66% over FY 18-19.
- The Operating Profit (Profit Before Tax less Other income) grew by 26.80% to ₹ 1,512.87 Crore in FY 19-20.
- PAT as a percentage of Annual Average AUM increased from 0.29% in FY 18-19 to 0.34% in FY 19-20.
- The Company's Average Networth increased by 33.34% to ₹ 3,549.99 Crore in FY 19-20.

Financial Performance With Respect To Our Operations

The financial statements of HDFC Asset Management Company Limited ('the Company') are prepared in compliance with the Companies Act, 2013 and Indian Accounting Standards, Rules 2015.

Indian Accounting Standards (Ind AS) – IFRS Converged Standards

The Company had adopted Ind AS with effect from April 01, 2018. Effective April 01, 2019, the Company has adopted Ind AS 116 - Leases and applied it to all lease contracts existing on April 01, 2019 using the modified retrospective method. Further details of the same have been disclosed in note 30 to the financial statements.

Significant accounting policies used for the preparation of the financial statements are disclosed in the note 3 to the financial statements.

Covid-19 Pandemic

In early 2020, the existence of a new coronavirus named SARS-CoV-2 responsible for the disease Covid-19, was confirmed and since then the virus has spread across the globe necessitating the World Health Organization (WHO) to declare it a global pandemic. The pandemic has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in markets across the globe. Various governments have introduced a variety of measures to contain the spread of the virus. The Government of India had announced a country wide lockdown. In this nation-wide lock-down, though most services across the

nation had been suspended, some establishments like securities market intermediaries including our Company, were exempt from the lock-down and therefore functional. There has been no material change in the controls or processes followed in the closing of the financial statements of the Company.

The Company has assessed the impact of the pandemic on its operations and its assets including the value of its investments and trade receivables as at March 31, 2020. The management does not believe that the impact on the value of the Company's assets as at March 31, 2020 is material. However, since the revenue of the Company is ultimately dependent on the value of the Assets Under Management (AUM) it manages, changes in market conditions and the trend of flows into mutual funds may have an impact on the operations of the Company. Since the situation is rapidly evolving, its effect on the operations of the Company may be different from that estimated as at the date of approval of the financial statements. The Company will continue to closely monitor material changes in markets and future economic conditions.

Regulatory update with respect to commission and scheme related expenses

Certain scheme related expenses and commission paid to distributors were being borne by the Company till October 21, 2018. These expenses were 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 Statement of Profit and Loss for FY 18-19.

Pursuant to circulars issued by SEBI in this regard, with effect from October 22, 2018, all of these expenses, subject to certain minor exceptions, are being borne by the respective mutual fund schemes. This change has had two effects on the books of the Company compared to the earlier position prior to the circular.

- 1) Investment management fee earned by the Company has reduced to the extent of the increase in expenses charged in the books of the schemes.
- 2) Expenses hitherto charged to the Company have reduced to the extent that they are now being charged in the books of the schemes.

The following table sets forth selected financial information from our Statement of Profit and Loss for FY 19-20 and FY 18-19.

PARTICULARS	₹ (in Crore)		% Change
	For the year ended March 31, 2020	For the year ended March 31, 2019	
Revenue from Operations	2,003.25	1,915.18	4.60
Other Income	140.18	181.60	(22.81)
Total Income	2,143.43	2,096.78	2.22
Finance Costs	8.98	-	100.00
Fees and Commission Expenses	20.89	240.26	(91.31)
Impairment on Financial Instruments	-	40.00	(100.00)
Employee Benefits Expenses	214.71	206.27	4.09
Depreciation, Amortization and Impairment	50.37	12.85	291.98
Other Expenses	195.43	222.70	(12.25)
Total Expenses	490.38	722.08	(32.09)
Profit Before Tax	1,653.05	1,374.70	20.25
Tax Expense	390.64	444.10	(12.04)
Profit After Tax	1,262.41	930.60	35.66

Revenue from Operations

Revenue from operations comprises of investment management fees from the Mutual Fund and portfolio management services and advisory fees. This increased from ₹ 1,915.18 Crore in FY 18-19 to ₹ 2,003.25 Crore in FY 19-20, due to an increase in investment management fee by 3.69% from ₹ 1,895.39 Crore in FY 18-19 to ₹ 1,965.28 Crore in FY 19-20. This increase was led by an increase in the Annual Average AUM of Mutual Fund schemes. Subsequent to the regulatory change in October 2018 referred to earlier, commission and certain other expenses related to the schemes of the Mutual fund which were earlier borne by the Company are now borne in the books of the schemes of the Mutual Fund which has had some effect in reducing the investment management fee. These regulatory changes were effective only for a part of FY 18-19 but for full period of FY 19-20. Hence, the growth rate of Investment Management Fees for the FY 19-20 was more subdued than that for FY 18-19.

Other Income

Our investment book rose in value due to retained surpluses. The Company holds certain Non Convertible Debentures (NCDs) that are secured by a pledge of listed equity shares. These NCDs are classified as financial assets at fair value through profit and loss. Hence, any changes in their fair value on the reporting date is reflected as a part of 'Other Income'. On fair valuation of the said NCDs as at March 31, 2020, the unrealised loss recognised in the financial statements for the year ended March 31, 2020 stands at ₹ 120.36 Crore.

Accordingly, our other income decreased by 22.81% from ₹ 181.60 Crore in FY 18-19 to ₹ 140.18 Crore in FY 19-20,

primarily because of fair value loss on investments as explained above, which is non recurring in nature. Other income also includes reversal of certain accruals made for expenses related to the earlier years which were not paid due to regulatory changes.

Finance Costs

Finance Costs is on account of adoption of IND AS 116, 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. They relate to sale of our mutual fund schemes, PMS and advisory mandates. Our Fees and Commission expenses decreased by 91.31% from ₹ 240.26 Crore in FY 18-19 to ₹ 20.89 Crore in FY 19-20, mainly on account of a decrease in commission expenses on sale of mutual fund schemes. Due to the regulatory changes mentioned above, no commission was paid by the Company on sale of mutual fund schemes from October 22, 2018 and the amounts charged relate to commissions paid to distributors on PMS and advisory mandates as well as some amortization of commissions paid in the past on sale of mutual fund schemes.

Impairment on Financial Instruments

This relates to a provision made in FY 18-19 for the Expected Credit Loss on a financial instrument which the company had invested in, where the Company assessed a significant increase in credit risk. This was subsequently estimated to have become credit impaired at March 31, 2019.

Employee Benefits Expenses

Our employee benefits expenses increased by 4.09% from ₹ 206.27 Crore in FY 18-19 to ₹ 214.71 Crore in FY 19-20, in particular, due to an increase in salaries and allowances paid to employees. This increase was led by an increase in the number of employees during FY 19-20 as well as an increase in regular increments paid to employees.

Depreciation, Amortization and Impairment

Our Depreciation, Amortization and Impairment increased from ₹ 12.85 Crore in FY 18-19 to ₹ 50.37 Crore in FY 19-20, primarily due to adoption of Ind AS 116 - Leases, where Right of Use assets are created and are subsequently depreciated using the straight line method.

Other Expenses

Our other expenses decreased by 12.25% from ₹ 222.70 Crore in FY 18-19 to ₹ 195.43 Crore in FY 19-20 primarily due to a decrease in 'Rent expenses' (due to adoption of Ind AS 116 - Leases), 'Advertisement, Publicity and Business Promotion expenses' and 'Printing, Stationery and Courier expenses'.

On adoption of Ind AS 116 - Leases, the expenditure on rent of premises has shifted from other expenses to depreciation on Right of Use Asset and finance cost on Lease Liability. This has resulted in reduction of rent expenses from ₹ 38.50 Crore in FY 18-19 to ₹ 0.29 Crore in FY 19-20. Our Advertisement, Publicity and Business Promotion expenses decreased from ₹ 35.72 Crore in FY 18-19 to ₹ 26.88 Crore in FY 19-20. Our Printing, Stationery and Courier expenses decreased from ₹ 24.75 Crore in FY 18-19 to ₹ 12.50 Crore in FY 19-20. Reduction in both these costs were due to the Company not incurring certain distributor and Mutual Fund related expenses and charging of some of these expenses in the books of the schemes of the mutual fund as a result of regulatory change.

Corporate Social Responsibility expenses increased from ₹ 16.98 Crore in FY 18-19 to ₹ 20.90 Crore in FY 19-20. Material components of Miscellaneous expenses are software expenses, investor compensation expenses and Know your customer (KYC) compliance related costs for investors of HDFC Mutual Fund.

The Company and certain employees along with HDFC Trustee Company Limited received show cause notices from Securities and Exchange Board of India (SEBI) for matters related to Essel group exposure in certain fixed maturity plans of HDFC Mutual Fund. All the concerned parties along with the Company had filed an application for settlement with SEBI and have received a Settlement Order dated April 16, 2020. The Company being the Investment Manager to HDFC Mutual Fund, has already compensated an amount of ₹ 4.47 Crore to the unit holders of the affected mutual fund schemes and has also paid the settlement amount of ₹ 4.20 Crore to SEBI. The investor compensation paid forms part of Miscellaneous expenses as narrated above and the settlement amount paid to SEBI forms part of Legal & Professional Fees.

Profit Before Tax

Our Profit Before Tax increased by 20.25% to ₹ 1,653.05 Crore in FY 19-20 from ₹ 1,374.70 Crore in FY 18-19.

Tax Expenses

Our Company has elected to exercise the option of a lower tax rate provided under Section 115BAA of the Income-tax Act, 1961, as introduced by the Taxation Laws (Amendment) Ordinance, 2019 dated September 20, 2019. Accordingly, our total tax expenses decreased by 12.04% to ₹ 390.64 Crore in FY 19-20 from ₹ 444.10 Crore in FY 18-19. Our current tax decreased by 7.85% to ₹ 410.52 Crore in FY 19-20 from ₹ 445.47 Crore in FY 18-19. Our effective tax rate, including deferred tax was at 23.63% and 32.31% for FY 19-20 and FY 18-19, respectively.

Profit After Tax

As a result of the factors outlined above, our Profit After Tax increased by 35.66% to ₹ 1,262.41 Crore in FY 19-20 from ₹ 930.60 Crore in FY 18-19.

Dividend

Your Directors have recommended a final dividend of ₹ 28 (Rupees Twenty Eight Only) per equity share of Face Value of ₹ 5 each for the financial year ended March 31, 2020. The Dividend payout ratio for the FY 19-20 would stand at 47.20%.

Statement of Assets and Liabilities

The following table sets forth our selected financial information from our Balance Sheet as at March 31, 2020 and March 31, 2019

PARTICULARS	₹ (in Crore)	
	As at March 31, 2020	As at March 31, 2019
Assets		
Financial Assets	4,066.14	3,097.79
Non Financial Assets	242.46	125.96
Total Assets	4,308.60	3,223.75
Liabilities and Equity		
Financial Liabilities	225.10	113.05
Non Financial Liabilities	54.24	39.98
Total Liabilities	279.34	153.03
Total Equity	4,029.26	3,070.72
Total Liabilities and Equity	4,308.60	3,223.75

Financial Assets

Investments

Investments of the Company grew from ₹ 2,934.96 Crore in FY 18-19 to ₹ 3,944.51 Crore in FY 19-20

- The increase in Investments carried at fair value through Profit and Loss from ₹ 2,406.21 Crore in FY 18-19 to ₹ 3,419.96 Crore in FY 19-20 is primarily due to net purchase of mutual funds.
- The investments carried at amortised cost have marginally decreased from ₹ 528.75 Crore in FY 18-19 to ₹ 524.55 Crore in FY 19-20.

Non Financial Assets

Non Financial Assets have increased from ₹ 125.96 Crore in FY 18-19 to ₹ 242.46 Crore in FY 19-20. This increase is primarily due to adoption of Ind AS 116 - Leases which resulted in creation of Right of Use Assets. The value of Right of Use Assets as at March 31, 2020 is ₹ 106.67 Crore.

Financial Liabilities

Financial Liabilities have increased from ₹ 113.05 Crore in FY 18-19 to ₹ 225.10 Crore in FY 19-20. This increase is primarily due to adoption of Ind AS 116 - Leases which resulted in creation of Lease Liability. The value of Lease Liability as at March 31, 2020 is ₹ 117.68 Crore.

Total Equity

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

Key Financial Ratios

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019	% Change
Annual Average AUM (₹ in Crore)	3,72,966.37	3,22,846.66	15.52
Profit After Tax as a % of Annual Average AUM	0.34	0.29	17.43
Debtors Turnover (times)#	27.97	22.15	26.28
Current Ratio (times)*	11.96	6.11	95.74
Operating Profit Margin (%)	75.52	62.30	21.22
Net Profit Margin (%)^	58.90	44.38	32.72

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, 2020. 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.

#The Debtors turnover has increased due to higher revenue being generated while maintaining a lower amount of average debtors.

*This has improved significantly as current asset balances and specifically, investments which are maturing within 12 months from the reporting date including new purchases, have changed.

^ The Net Profit Margin has increased due to higher operating efficiency supported by lower effective tax rate.

Return On Network (Computed On Average Network)

PARTICULARS	₹ (in Crore)		
	For the year ended March 31, 2020	For the year ended March 31, 2019	% Change
Network at the Beginning of the Year	3,070.72	2,253.91	36.24
Network at the End of the Year	4,029.26	3,070.72	31.22
Average Network	3,549.99	2,662.32	33.34
Profit After Tax	1,262.41	930.60	35.66
Return on Average Network (%)	35.56	34.95	1.75

Return on average network increased marginally from 34.95% in FY 18-19 to 35.56% in FY 19-20. This is due to improved profitability in current financial year resulting in a rise in average network.

B.4. Outlook

There is immense scope for the industry to grow. Given our strong positioning in the mutual fund industry, we are well placed to capture and capitalise on the opportunities in in the domestic market. We believe, there is enough and more scope for savings and investment related products which should lead to material growth in mutual fund industry. Some of the prominent catalysts for our future growth include strong brand recall, disciplined investment philosophy and process, customer-centric approach, well laid out distribution network and growing reach and healthy financials.

Our strategic priorities include:

- Offer diverse range of products across asset classes and product categories to cater to various financial needs and aspirations of consumers.
- Capitalising on our existing reach and distribution network and further enhancing the same.
- Leveraging digital platforms not only to service customers and distribution partners but also to acquire new customers and aiding distributors in acquiring new customers.

C. Internal control systems and their adequacy

The Company has instituted adequate internal control systems commensurate with the nature of its business and the size of its operations. This provides 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 their respective functions.

The Company has appointed Deloitte Touche Tohmatsu India LLP to oversee and carry out an internal audit of its activities. 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 the Company has audited the financial statements included in this annual 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 Companies Act, 2013).

Based on its evaluation, our audit committee has concluded that, as of March 31, 2020, our internal financial controls were adequate and operating effectively.

D. Information Technology (IT)

At HDFC AMC, we have deployed best-in-class IT systems and resilient IT Infrastructure & processes. They play a crucial role in boosting agility, increasing productivity, and thereby, reducing turnaround time across our operations, customer service, dealing, research, risk management and other support functions. IT is increasingly playing the role of a facilitator in business development activities too. All upgrades are well managed and installed to keep our business up and running without user or business interruption.

We have appointed HDFC as our technology partner to maintain our IT infrastructure, networks and IT security, and provide IT hardware & software procurement services. We have also entered into arrangements with reputed vendors to provide IT infrastructure management services, end-user support and data centre services.

With the growing prominence of technology in all our activities, cyber security is of paramount importance to us. We ensure that cyber security controls and practices are embedded into the business process and we follow concept of 'Security by Design'. Enhanced cyber security practices and effective governance have resulted in a mature cyber security framework. Our IT assets are reviewed and audited regularly by independent agencies. Our systems are subject to detailed scrutiny and validations in the systems audit. Proactive measures are taken to ensure that they are adequately protected against external threats.

We have also devised a robust Disaster Recovery and Business Continuity Plan (BCP) with strategies like utilising branches as alternate site, work from home and IT Disaster Recovery site, which are tested on a regular basis.

During the Covid-19 Pandemic the AMC's BCP was fully tested from the alternate sites, the Virtual Private Network connectivity ensured that all the critical functions not only worked seamlessly from home but also enabled the company to adhere to all regulatory timelines.

E. Compliance

Through our compliance function, we monitor 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.

Various internal policies and procedures have been established to enable compliance with the above mentioned regulatory requirements. Our Compliance Manual lists the applicable regulatory requirements, regulatory timelines and assigns responsibility to the concerned functions for compliance. We have Employee's Securities Dealing Codes to regulate personal investment transactions of employees and Guidelines for personal dealing for AMC and Trustee directors. We have established policies such as Conflicts of Interest Policy, Outsourcing Policy, Code of Conduct for Prevention of Circulation of Unauthenticated News, and Social Media Policy to enable compliance with the provisions of the Acts and regulations applicable to our businesses.

Each function is also required to ensure compliance with respect to applicable regulations pertaining to their areas of operation. Accordingly, we have established procedures, policies and manuals such as the investment manual, operations manual, valuation policy, voting policy and client services manual. These policies and manuals are reviewed and updated periodically. We have established a certification

process, through which each function periodically confirms compliance with the regulatory requirements.

Our compliance team stays abreast of the new regulatory requirements and communicates the same to the relevant functions along with meaningful inputs for implementation. Compliance with respect to the activities performed by the compliance team is monitored using a software system. The Compliance team also reviews the implementation status of various requirements by coordinating with respective functions.

External independent internal auditors have been appointed to review activities of each department and function, including the compliance function. They review the compliance reports before they are submitted to our Board and the concerned regulators. Periodical SEBI inspections and statutory audits are conducted which review and assess the compliance status.

Other responsibilities of our compliance team include drafting and issuing product offer documents, issuance of notices/addenda related to scheme and product offerings, reviewing marketing materials before dissemination, timely filing of various reports with our Board and with concerned regulators and agencies. The compliance team also oversees 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 the codes/policies. Our compliance function is an interface between us and various regulators and agencies, such as SEBI, the Reserve Bank of India, the Association of Mutual Funds in India, depositories and stock exchanges. The Chief Compliance Officer updates our Board and Audit Committee at their meetings on various compliance matters.

F. Risk management

Our risk management practices have been designed and implemented taking into consideration the varying needs of our organisation, operating structure, business operations and regulatory requirements. Our risk management philosophy clearly defines these lines of defence within the organisation. Our Board approved policy 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 is also responsible for

ensuring that the risk management framework is effectively implemented within all areas of their respective functions.

Risk assessment and mitigation strategies are ongoing and an integral part of the organisation's business reviews. The key risk management activities include Investment Risk, Operational & Regulatory Risk and Business Continuity and Disaster Recovery Management. Close monitoring and control processes, including the establishment of appropriate key risk indicators are put in place to ensure that risk profiles are managed within policy limits.

With rapid technological advancement in securities market, 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.

We have a formal programme for risk and self-assessment 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 the 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 as 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.

The systems that are in place are intended to provide reasonable but not absolute assurance against material misstatements or loss, as well as to ensure the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with applicable legislation, regulations and best practices, and the identification and management of business risk.

G. Insurance

Our insurance policies cover the entire gamut of our operations and protect the company from unexpected exigencies in the future. We have specialised policy coverage as the investment manager to HDFC Mutual Fund, which in addition to the company also includes our employees, directors and the trustee company of HDFC Mutual Fund. Our policies also include service provider liability coverage for the Registrar and Transfer Agent and custodians associated with our Mutual Fund business. We provide our

employees with group term life and personal accident cover in addition to medical insurance.

H. Intellectual property

We use, among others, the name, brand and trademark "HDFC", "HDFC Mutual Fund", "HDFC Asset Management Company" and associated logos in the ordinary course of our business and in our corporate name. The trademark "HDFC" is owned by and is registered in favour of HDFC. HDFC has granted us the non-exclusive licence to use the trademark, "HDFC", which is not currently subject to any terms and conditions.

I. Digital platforms

Our Digital solutions framework includes digital solutions for our partners, investors and corporate website. It is a continuously evolving platform being tuned to user needs to ensure that it is comprehensive and secure.

Our Investor Solutions include web portal, app, WhatsApp, Transaction Bot and pre-filled transaction links to facilitate digital transactions. Transaction bot, WhatsApp are common across investors and partners. We have also implemented customer experience management point interventions to identify drop in user journeys and connect back to the investor. Our corporate website hosts not only information but is also enriched with tools like transaction bot, smart search technology etc. As a part of our Partner Solutions we provide an array of services for them to transact digitally – web portal, app, quick links to create transactions for their investors, digital marketing tool, financial planning services and more.

We have invested heavily in technology and people to build and scale up our inhouse digital capabilities. Our technology is scalable built on cloud leveraging emerging technologies which are robust and scalable. Improving and building new competencies within the digital domain continues to be our focus. We are providing multiple platforms (web portal, app, bots, contact center support etc.) to meet digital needs of the diverse partner and investor community.

AMCs across the board are focusing on digital channels and at the same time there has been a huge growth in number of aggregators and FinTech players providing options to transact on mutual funds. In spite of this increase our in-house channels have continued to maintain their share of transaction volumes.

During the lock down due to Covid-19 starting mid March we were able to successfully operate from home working with our partners and service delivery providers remotely. Since our infrastructure is cloud based we could enhance the capacity easily to manage the volumes due to market volatility and lock down. Not only did we manage the entire solution remotely we also:

1. Ensured 99.99% uptime
2. Launched our whatsapp service
3. Started build of new features to facilitate emerging business needs due to complete shut down
4. Managed with our team for customer engagement support to all investors via email since contact centers were shut down. All queries from our branches, sales team and investors were met within the TAT. Team was strengthened from other units within Digital Team
5. Communicated with our investors on digital options to transact via email and SMS
6. Provided regular updates and reminders to partners on multiple ways to transact digitally

This crisis provided us an opportunity to test our digital capabilities to support investors, partners and business teams at scale. We will continue to strengthen our solutions across user experience, communications & customer engagement backed by strong analytics and communications.

[Read more on pages 14-15 of this report.](#)

J. Human resources

Our people are the cornerstones of our success and lends us significant edge over our peers. Our employee strength of 1,194 people are our brand ambassadors and enable us to reach out to customers and other stakeholders across country and serve them. In the current environment, our employees have displayed enduring discipline to ensure that we face no difficulties in operating as an essential service. Our business continuity remains intact and functioning despite the severe dislocation being experience across our country. Our HR capabilities are supported by our core HR systems that are cloud based and are accessible to each employee.

Our positive work environment, best-in-class people practices, competitive compensation and a rewarding culture make us one of the most preferred places to work in, enabling us to attract some of the finest talent in the industry. We have a succession plan to ensure uninterrupted talent availability and business continuity.

We have a sustained focus on engaging with employees, building technical capability and behavioural competence. Employee well-being and mental health, supportive and equal opportunity workplaces feature as top priorities for us. We have

made significant efforts in these areas to be an employer of choice in the Industry.

In order to create value for our stakeholders we continue to invest in technology and adopt fair HR practices to empower our people creating a supportive environment. We continue to uphold high standards of governance with respect to all statutory compliance and regulatory requirements.

K. Marketing initiatives

Marketing function aims to improve the awareness of Mutual Funds as an investment vehicle and also increase the traction for HDFC MF products across length and breadth of the country. Role played by Marketing assumes added significance against the backdrop of low awareness and penetration of Mutual Funds in India as compared to most major global economies.

Our audience can be divided into two broad segments, customers and distributors. Customers can further be categorised as existing customers and prospective customers. Based on this categorisation, we have divided our marketing objectives into two:

- Product communication meant for current and prospective customers and distributors
- Communication for mutual fund awareness for prospective customers

As part of the product communication objective, we cover regular updates on our schemes through various modes, such as presentations, leaflets, posters, fact sheets and videos. We also support our distributors with sales materials and ideas that they can use in their interactions with customers. As part of our customer

awareness communication objective, we cover topics such as importance of financial planning and investing, financial planning for retirement, understanding importance of asset allocation, power of compounding, etc.

It is our belief that financial literacy and investor awareness are essential for the growth of the mutual fund industry in India.

The Association of Mutual Funds in India has been set up as a central agency to set appropriate standards for our industry. We strive to uphold these standards, and further implement various programmes and events to educate the public on investing in mutual funds. These include investor awareness programmes, which we conduct across India. We also have a comprehensive 'Learn' section on our website which caters to investors with different levels of understanding about investments. We also have an investor education app called MFBytes, available in both English and Hindi, which aims to increase awareness about Mutual Funds using an interactive interface.

We engage with our audience through television, radio, outdoor marketing, digital and social media. We stay connected with our customers by way of emailers and text messages. We aim to leverage the power of internet to connect to our customers and distributors. We have a strong online presence via our digital platforms for customers and distribution partners. We offer our services through our online portal HDFC MFOnline and our mobile applications.

Mass Media Campaigns

1. Print campaign of flagship schemes

Grab bright opportunities.
Invest in HDFC Equity Fund
-A Multi-Cap Fund

To know more, contact your financial adviser or give a missed call on 73974 12345.

HDFC Equity Fund (An open-ended equity scheme investing across large-cap, mid-cap & small-cap stocks) is suitable for investors who are seeking:

- To generate long-term capital appreciation/income
- Investment predominantly in equity & equity-related instruments

HDFC MUTUAL FUND
BHAROSA APNO KA

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

HDFC Mutual Fund's flagship schemes viz; HDFC Top 100 Fund and HDFC Equity Fund were advertised consistently

for a majority part of the year in few leading English and regional dailies across the country.

2. SIP Investor Education campaign

There are 2.84 crore* SIPs in the mutual fund industry.
Have you started yet?

Investing in mutual funds through SIP can help you:

- Cultivate a regular investing habit
- Create wealth in the long term with smaller amounts invested regularly
- Best market volatility & enjoy the power of compounding

*As on Sep 30, 2018. Source: AMFI, SIP - Systematic Investment Plan.

Start a SIP in mutual funds today!

Contact your financial adviser or give a missed call on **73587 12345**

HDFC MUTUAL FUND
BHAROSA APNO KA

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

The trigger for this SIP print campaign was FOMO – fear of missing out. i.e. by showcasing how many individuals have already invested through SIPs. A mix of English and regional dailies were used to activate the uninitiated investors and fence-sitters.

3. Equity Linked Savings Scheme (ELSS) Outdoor campaign

Swipe right for the right reasons

Swipe right with ELSS and get

- Tax saving
- Wealth creation opportunity

An Individual/HUF is entitled to deduction from gross total income for investments in Equity-Linked Savings Scheme (ELSS) up to Rs. 1.5 Lakhs (along with other prescribed investments) under Section 80C of the Income-tax Act, 1961. In view of the individual nature of the tax consequences, each investor is advised to consult his/her own professional adviser. ELSS Schemes are subject to a 3 year lock-in period.

HDFC MUTUAL FUND
BHAROSA APNO KA

To know more, contact your financial adviser or give a missed call on 7358712345
@hdfcmf | HDFC Mutual Fund

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

A reminder and reinforcement campaign for investors to save tax using ELSS, mainly targeting the tax payers. The campaign was planned in select metro cities only in high density zones like metro stations, platforms, etc.

4. HDFC Top 100 Fund Outdoor campaign

This was a tactical campaign by equating stock market's biggies with Lord Ganesha during the Ganesh festival period in Mumbai and Pune.

GET STOCK MARKET CHE RAJAS ON YOUR SIDE

Benefit by investing in large-cap stocks.
Invest in HDFC Top 100 Fund.
-A Large-Cap Fund.
Contact your financial adviser or give a missed call on 73974 12345.

HDFC Top 100 Fund (An open-ended equity scheme predominantly investing in large-cap stocks) is suitable for investors who are seeking:

- To generate long-term capital appreciation/income
- Investment predominantly in large-cap companies.

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

HDFC MUTUAL FUND
BHAROSA APNO KA

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

Read more on pages 16-17 of this report.

L. Customer service

Our customers are pivotal to all our activities and we constantly strive to provide them with superior, high quality services.

Customers today are highly informed and expect quick, agile and efficient services. Our branches operate as official points of service and acceptance of transactions. Training of our frontline staff is a continuous engagement. Besides, we work closely with CAMS, our Registrar and Transfer Agent (RTA), to ensure that their processes, systems and staff training are aligned to our service and operating standards.

Ensuring that we maintain a high level of convenience at every level of customer interaction with us, we provide them with a gamut of touchpoints across both physical and digital worlds. Our customers connect with us through our network of 221 branches, the service centres of our RTA, a national call centre, digital transaction aggregation platforms like stock exchanges, MF Utility, email, SMS and our social media platforms. These touchpoints cater to varied customer requirements including information regarding KYC and on-boarding, requests for statement of account, processing of transactions, etc.

During the challenging period of lock down on account of Covid-19, the business continuity plan was activated and we could provide essential services to our customers using the various digital platform solutions for transactions.

Customer services continuity was ensured by our staff working from home with the back office support of our RTA. The RTA support services continued using a combination of work from office and work from home for a large segment of the services.

The efficacy of our services is reflected in negligible number of complaints from our customers.

Complaints as a percentage of transactions	(%)
FY 17-18	0.014
FY 18-19	0.012
FY 19-20	0.009

M. Training

It is HDFC AMC's constant endeavor to adopt innovative ideas for engaging with its distributors to provide them with requisite training. To this end, it has set up a Learning & Development academy, LEAP (Learn Evolve Achieve Progress) which provides various classroom-based learning interventions covering technical skills, functional skills, life skills and experiential learning modules. Many

distributors have undertaken these courses with us. Through LEAP, we customise the training programme as per the requirements of the audience. We believe in integrating content with technology to provide best-in-class learning. We will continue to prepare high quality training modules. The participants go through a unique contextual methodology of learning as opposed to the conventional approach to learning.

We also conduct product-focused training programmes to help business development executives while engaging with Banks, National Distributors and IFAs. This is done through both internally developed programmes as well as the ones in which external trainers are involved. The topics range from basics of debt and equity markets and macroeconomic linkages to objection handling and investor behaviour, to name a few.

N. Social initiatives

[Read more on pages 18-19 of this report.](#)

O. Risks and Threats

Our business depends on consumer confidence in the overall economy, economic growth rates, household savings rates and consumer attitudes towards financial savings, in particular, within India. Any adverse market rate fluctuations and/or adverse economic conditions could affect its business in many ways, including by reducing the value of its AUM, causing a decline in revenue.

If our investment strategies perform poorly, its existing customers may reduce or withdraw their investments. Underperformance to benchmark could lead to a shift to low cost passive funds. We are exposed to market risks such as liquidity risk, interest rate risk, credit risk, operational risk and legal risks. The effectiveness of our Company's risk management is limited by the quality and availability of data. Our schemes and other investment products carry their own risks.

HDFC AMC's existing distributor relationships are key to the business. As many of its distribution relationships are non-exclusive, our Company's distributors may provide similar services to its competitors or prioritise its competitors' investment product over that of our Company.

HDFC AMC depends on the skills and expertise of its employees and its success depends on its ability to retain key team members. If we are not able to retain existing employees or attract new talent, our Company's operations results could get affected, leading to a decline in our performance.

We are dependent on the strength of our brand and reputation, as well as the brand and reputation of other HDFC group entities. 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. The regulatory environment in which we operate is subject to change. Changes to regulations could adversely impact our Company's revenue and margins. Moreover, new laws or regulations applicable to our Company and customers may adversely affect our business.

In terms of the SEBI Mutual Fund Regulations, we are required to avoid conflicts of interest in managing the affairs of our mutual fund schemes and keep the interest of our customers paramount in all matters. Accordingly, in the event of any conflict arising between the interests of our shareholders and the interests of our customers, we will have to prioritise the interests of our customers.

While we ensure that we are in compliance with all applicable laws, however any failure in detecting errors in our statutory records or errors or omissions in our business operations could expose us to potential losses.

Besides the above threats which we can anticipate, situations may arise due to totally unforeseen black swan events like the current Covid-19 crisis which has engulfed the world, which may affect our business in unforeseen ways.

P. 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. The responsibilities inter-alia include investment administration, banking, asset valuation and unit pricing, unit administration, overseeing customer service centre

operations and co-ordination with the RTA, redressal of customer grievances, anti-money laundering (AML), regulatory compliances/reporting and management information system. PMSO team performs functions such as 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 the clients' portfolios, providing various reports to management, liaising with bankers and custodians. The PMSO is independent of our MFO and is conducted on an arms length basis with a separate set of systems and teams.

All operational activities are subject to independent audit. Internal auditors perform transactional and risk based audit, besides process reviews on a regular basis. We have appointed auditors as required under relevant regulations for our schemes, portfolio management and segregated account services. They audit the Mutual Fund scheme accounts and the customers' accounts in respect of the Portfolio Management Service. In addition, all applications used in Operations are periodically subjected to system reviews. Our audit committee reviews the auditors' reports in respect of the entire Operations.

Systems and processes form the backbone of our operations with extensive focus on internal controls, minimising operational risks, scalability and bringing about efficiency to meet various timelines. We continuously endeavour to keep upgrading our systems and re-engineer our processes to ensure maintenance of a very high standard of regulatory compliance and governance. We also have a comprehensive Business Continuity Plan for the entire Operations of the AMC which are periodically tested and placed before the Board of Directors for review. We have also ensured that the service providers who are critical for our business also adhere to the standards of governance, compliance, IT preparedness and review their BCP Plans from time to time.

Directors' Report

To the Members

Your Directors have pleasure in presenting the Twenty-First Annual Report together with the Audited Accounts of your Company for the financial year ended March 31, 2020.

Financial Results

The financial performance of your Company for the financial year ended March 31, 2020 is summarised as below:

	₹ (in Crore)	
FINANCIAL RESULTS	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit before Tax	1,653.05	1,374.70
Less: Provision for Tax (Net of Deferred Tax)	390.64	444.10
Profit after Tax	1,262.41	930.60
Add / (Less): Other Comprehensive Income (Net of Tax)	(3.08)	(0.40)
Total Comprehensive Income (A)	1,259.33	930.20
Balance of Retained earnings carried forward from previous year	2,190.37	1,567.67
Less: Interim Equity Dividend Paid	-	255.09
Less: Tax on Interim Equity Dividend Paid	-	52.43
Less: Final Equity Dividend Paid for earlier year	255.11	-
Less: Tax on Final Equity Dividend Paid for earlier year	52.44	-
Add / (Less): Other Adjustments	(8.63)	0.02
Total (B)	1,874.19	1,260.17
Balance of Retained Earnings Carried to Balance Sheet (A+B)	3,133.52	2,190.37

For the year ended March 31, 2020, your Company posted a net profit of ₹ 1,262.41 Crore as against ₹ 930.60 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.

Your Company does not have any subsidiary or an associate company or a joint venture company during the year under review.

Dividend

Your Directors recommend payment of dividend for the financial year ended March 31, 2020 of ₹ 28/- per equity share (560%) of face value of ₹ 5/- each as against ₹ 24/- (480%) per equity share of face value of ₹ 5/- each for the previous year.

The dividend pay-out ratio for the proposed final dividend for the year ended March 31, 2020 is 47.20%.

The dividend recommended is in accordance with the principles and criteria as set out in the Dividend Distribution Policy which has been approved by the Board of Directors.

The Dividend Distribution Policy of the Company is placed on the Company's website at <https://www.hdfcfund.com/about-us/governance/codes-policies>. and the same is annexed as **Annexure I** 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 Report

In accordance with the SEBI Listing Regulations, the Management Discussion and Analysis Report, the Report of the Directors on Corporate Governance and Business Responsibility Report form part of this report.

Transfer to General Reserves

There was no amount transferred to the General Reserves of your Company for the FY 19-20.

Capital Structure

During the year, your Company issued and allotted 2,30,115 equity shares of ₹ 5/- each of the Company to eligible

employees on exercise of stock options granted under Employee Stock Option Schemes of the Company.

Consequently, the issued, subscribed and paid-up equity share capital increased from ₹ 1,06,28,66,050/- represented by 21,25,73,210 equity shares of ₹ 5/- each as on April 1, 2019 to ₹ 1,06,40,16,625/- represented by 21,28,03,325 equity shares of ₹ 5/- each as on March 31, 2020.

Review of Operations

Assets under Management (AuM)* of HDFC Mutual Fund ("HDFC MF") at the close of FY 19-20 was ₹ 3.19 Lakh Crore as against an AuM of ₹ 3.44 Lakh Crore at the close of FY 18-19, a decrease of 7%. The decline in AUM can be primarily attributed to the Coronavirus outbreak and the consequent pandemic. The QAAUM, however, grew by 8% to ₹ 3.70 Lakh Crore. HDFC MF is one of India's largest mutual fund in terms of total AuM with a market share of 14.3%. It is also the largest mutual fund in terms of actively managed equity-oriented funds, with a market share of 14.7%. The actively managed equity-oriented AuM of HDFC MF at the close of FY 19-20 was ₹ 1.20 Lakh Crore as against ₹ 1.64 Lakh Crore at the close of FY 18-19, a decrease of 27%, which can primarily be attributed to a fall in the equity markets due to the Coronavirus pandemic. The actively managed equity-oriented QAAUM constituted 43% of the total QAAUM and grew by 2% to ₹ 1.57 Lakh Crore.

Your Company managed 94 lakh live accounts as on March 31, 2020, predominantly those of individual (retail) unitholders. The Individual monthly average AUM as a percent of total monthly average AUM as of March 2020 was 57.2% as against 63.0% as of March 2019. 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 221 ISCs as on March 31, 2020. 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 70,000 empanelled distributors in over 200 cities pan India.

Your Company is the most preferred choice for retail investors, with the highest market share in assets from individual investors at 15.0%. Of the 2.08 Crore unique investors in mutual funds in India (as identified by PAN), we enjoy trust of 56 Lakh investors, a market share of 27%. 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 ₹ 1,130 Crore through systematic transactions in the month of March 2020. These monthly flows provide a strong and stable "order book" provide predictable flows, with 81% 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 and global institutions. As on March 31, 2020, the aggregate assets under these services were at ₹ 8,530 Crore.

In the wake of Covid-19 pandemic threat, we had successfully initiated our Business Continuity Plan. AMFI circular issued in this regard has directed all AMCs to keep branches/offices closed and only allow online transaction to continue effective March 23, 2020. All our operations continue to work remotely using the existing infrastructure in place. We have been able to successfully initiate Work from Home for employees who continue to interact with our customers, partners and service providers remotely. Since our infrastructure is cloud based we could enhance the capacity comfortably to manage the volumes. The current situation has impacted our sales from walk-in customers, but due to our strong digital presence customers are able to make electronic transactions seamlessly.

Schemes Launched

Other than HDFC FMP 1100D April 2019 (1), a closed-ended fund, no new scheme was launched during the financial year.

Fundamental Attributes Changed

During the year, merger of certain Plans / Options under HDFC Floating Rate Debt Fund, HDFC Liquid Fund and HDFC Low Duration Fund was carried out, details of which were announced through an addendum dated April 4, 2019.

Directors and Key Managerial Personnel

Non-Executive Directors

In accordance with the provisions of Section 152 of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and the Articles of Association of the Company, Mr. Deepak Parekh (DIN: 00009078) and Mr. James Aird (DIN: 01057384), Directors, are liable to retire by rotation at the ensuing Annual General Meeting (AGM) and being eligible have offered themselves for re-appointment.

Necessary proposals for their re-appointment have been placed for your approval at the ensuing AGM. The brief

*For details on Mutual Fund AUM, refer Page 4 & 5

resume of these Directors and other related information have been detailed in the Notice convening the AGM of your Company. Your Directors recommend their re-appointment as Non-Executive Directors of your Company.

Executive Director

Pursuant to the provisions of Sections 196, 197, 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, it is proposed to re-appoint Mr. Milind Barve (DIN: 00087839) as the Managing Director of your Company, not liable to retire by rotation, for a further period effective from November 1, 2020 upto January 31, 2021. Necessary proposal for his re-appointment including payment of remuneration has been placed for your approval at the ensuing AGM. Your Directors recommend his re-appointment as Managing Director of your Company.

Independent Directors

Pursuant to the provisions of Sections 149, 150 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, Mr. Vijay Merchant (DIN: 01773227), Mr. Hoshang Billimoria (DIN: 00005003) and Dr. Deepak Phatak (DIN: 00046205), Independent Directors, were appointed at the Extra Ordinary General Meeting of the members held on July 21, 2014, to hold office for a term of 5 consecutive years up to July 20, 2019, not liable to retire by rotation, on the Board of your Company. Accordingly, the term of Mr. Vijay Merchant and Dr. Deepak Phatak came to an end on July 20, 2019.

The Board re-appointed Mr. Hoshang Billimoria as an Independent Director of the Company for a second term commencing from July 21, 2019 till November 29, 2019 based on the performance evaluation which was approved by the members of the Company through special resolution at the 20th AGM. Accordingly, the term of Mr. Hoshang Billimoria came to end on November 29, 2019.

The Board placed on record a vote of thanks and appreciation for the valuable contribution made by them over the years.

During the year, the members at their 20th AGM of the Company had appointed Mr. Dhruv Kaji, Mr. Jairaj Purandare, Mr. Sanjay Bhandarkar, Mr. Parag Shah and Ms. Roshni Nadar Malhotra as Independent Directors of the Company for a period of five consecutive years effective from their respective date of appointment.

The Board appointed Mr. Shashi Kant Sharma (DIN: 03281847) as an Independent Director (Additional Director) of the Company for a term of 5 consecutive years effective October 26, 2019, subject to the approval of members

at the ensuing AGM. Mr. Sharma possesses requisite skills, experience and knowledge and his qualification and experience was suitable for the Company and the Board would derive immense value from his guidance and rich work experience.

Regarding proficiency, in terms of the recently introduced regulatory requirements providing for establishment of an online database of Independent Directors by Indian Institute of Corporate Affairs, all the Independent Directors of the Company have enrolled their names in the said database. Also, the online proficiency self-assessment test as mandated will be undertaken by those Independent Directors of the Company who are not exempted within the prescribed timelines.

The necessary resolution for the appointment of Mr. Shashi Kant Sharma including his brief profile and other related information have been included in the Notice convening the ensuing AGM. Your Directors recommend his appointment as an Independent Director of your Company.

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.

Declaration of Independence

In accordance with the provisions of Section 134(3)(d) of the Companies Act, 2013, Mr. Dhruv Kaji, Mr. Jairaj Purandare, Mr. Sanjay Bhandarkar, Mr. Parag Shah, Ms. Roshni Nadar Malhotra and Mr. Shashi Kant Sharma, Independent Directors, have submitted declarations stating that they meet the criteria of independence as per the provisions of the Companies Act, 2013 and SEBI Listing Regulations.

Mr. Vijay Merchant, Dr. Deepak Phatak and Mr. Hoshang Billimoria who ceased to be Independent Directors of the Company during the financial year, had submitted declarations at the beginning of the year stating that they meet the criteria of independence.

In the opinion of the Board, the Independent Directors fulfill the conditions specified under the Companies Act, 2013, the Rules made thereunder and SEBI Listing Regulations and are independent of the management.

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, Mr. Milind Barve, Managing Director, Mr. Piyush Surana, 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 19-20, 8 (eight) 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 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 Companies Act, 2013 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 Nomination & Remuneration Policy is placed on the Company's website at <https://www.hdfcfund.com/about-us/governance/codes-policies>.

Issue of Employee Stock Options

In line with the practice of incentivising the employees through issue of stock options, your Company has in the past granted stock options to the employees under the various employee stock option schemes formulated from time to time. Your Company has formulated Employee Stock Option Scheme(s) 2015 - Series I & III and 2017 - Series I & II ("Schemes") 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) Regulations, 2014 ("ESOP Regulations"). However, the above Schemes, formulated prior to IPO by your Company, were aligned with the ESOP Regulations. The disclosures as required under the ESOP Regulations have been placed on the website of the Company at www.hdfcfund.com.

There were no stock options granted during the FY 19-20 and your Company will not make any fresh grant of stock options under these aforesaid Schemes. 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.

Further, the certificate required under Regulation 13 of the ESOP Regulations from the Statutory Auditors of the Company that the above Schemes have been implemented in accordance with the ESOP Regulations will be available at the ensuing AGM for inspection.

The Board of Directors, on the recommendation of the Nomination & Remuneration Committee and pursuant to the provisions of the Companies Act, 2013 and ESOP Regulations had at its meeting held on May 9, 2020, proposed issuance of equity shares under Employees Stock Option Scheme – 2020 ("ESOS-2020"/"the Scheme"), for rewarding and motivating employees for their long association and in recognition of their dedicated service to the Company and also to attract and retain the best talent.

Members' approval to the Scheme is sought, by way of Special Resolution, at the ensuing AGM.

Auditors and Auditors' Report

Statutory Auditors

In terms of Section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, M/s. B S R & Co. LLP, Chartered Accountants (ICAI FRN: 101248W / W-100022) were appointed as the Statutory Auditors of your Company for a period of 5 continuous years i.e. from the conclusion of 18th AGM till the conclusion of 23rd AGM, subject to ratification by the members at every AGM of the Company.

In accordance with the Companies Amendment Act, 2017 notified on May 7, 2018 by the Ministry of Corporate Affairs, the appointment of statutory auditors is not required to be ratified at every AGM. Accordingly, no proposal for ratification of appointment of M/s. B S R & Co. LLP as Statutory Auditors of the Company will be placed at the ensuing AGM.

Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 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 19-20. The Secretarial Audit Report is annexed herewith as **Annexure II** to this report.

There were no qualifications, reservation 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 Companies Act, 2013.

Internal Auditors

M/s. Deloitte Touche Tohmatsu India LLP, were appointed as Internal Auditors of your Company for the FY 19-20.

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 and this framework incorporates the systematic application of policies, procedures and checks to identify potential risks in the operational areas of the business and minimise their impact on your Company. The framework is designed to identify risks, assess their likely impact, ensure the review of mitigation measures and requires reporting on a regular basis. The Audit Committee of the Board of Directors at its meetings periodically reviews the progress and functioning of the ERM.

The primary business of your Company is to manage the schemes of HDFC Mutual Fund which requires specialised expertise in investment management. Since this is a very crucial aspect which has an extremely significant bearing on the performance of your Company, a Risk Management Committee is in place to oversee the risks associated with this function. This Committee reviews the progress of risk management practices pertaining to HDFC Mutual Fund.

With rapid technological advancement in securities market, your 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.

Adequacy of Internal Controls

Your Company has internal control systems which 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 was 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 of Directors to approve activities to be undertaken, expenditure to be incurred and to monitor the performance of the CSR activities undertaken by the Company.

The CSR Committee comprises of Mr. Deepak Parekh (Chairman), Mr. Parag Shah and Mr. Milind Barve. The Company Secretary acts as the secretary to the Committee.

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

The Board of Directors and the 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, is set out at **Annexure III** to this report.

The contents of the CSR Policy as well as the CSR activities undertaken by the Company are available on the Company's website at <https://www.hdfcfund.com/about-us/corporate/csr>.

Particulars of Contracts or Arrangements with Related Parties

During the year, your Company has entered into transactions with related parties as defined under Section 2(76) of the Companies Act, 2013 read with Companies (Specification of Definitions Details) Rules, 2014 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 Related Party Transactions Policy of the Company 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/governance/codes-policies>.

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 required 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 Companies Act, 2013 read together with the Companies (Acceptance of Deposits) Rules, 2014.

Unclaimed Dividend on Shares

As at March 31, 2020, dividend amounting to ₹ 0.19 Crore had not been claimed by shareholders of the Company and is lying in the respective Unpaid Dividend Accounts. Your Company has disclosed the statement containing the names, last known addresses and the unpaid dividend to be paid to each shareholder on the Company's website at www.hdfcfund.com.

Extract of Annual Return

As per the provisions of Companies Act, 2013, the details forming part of the extract of the Annual Return (in the prescribed Form MGT-9) as on the financial year ended March 31, 2020 is appended as **Annexure IV**.

A copy of the Annual Return is placed on the Company's website at www.hdfcfund.com.

Vigil Mechanism / Whistle Blower Policy

Your Company has put in place a Whistle Blower Policy. More details 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 Companies Act, 2013 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): ₹ 33.77 Crore (previous year: ₹ 13.23 Crore)
- Foreign exchange (expenditure): ₹ 18.55 Crore (previous year: ₹ 17.21 Crore)

Particulars of Employees

As on March 31, 2020, your Company has 1194 employees and for the previous year, your Company had 1150 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 Companies Act, 2013, 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 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are appended as **Annexure V**.

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.
- Disclosure pertaining to maintenance of cost records as specified by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, is not applicable to your Company.
- Your Company has not issued any sweat equity shares to the employees of your Company.

- Your Company has not issued equity shares with differential rights as to dividend, voting or otherwise.
- 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.
- There was no receipt of any remuneration or commission by the Managing Director of the Company from its holding company.

Directors' Responsibility Statement

In accordance with the provisions of Section 134(5) of the Companies Act, 2013 and based on the information provided by the management, your Directors state that:

- In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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, 2020 and of the profit of the Company for year ended on that date;
- Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- The annual accounts of the Company have been prepared on a going concern basis;
- Internal financial controls have been laid down to be followed by the Company and such internal financial controls are adequate and operating effectively; and
- 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 Companies Act, 2013.

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 regions 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 did not receive any complaints 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.

SEBI issued show cause notices in May and June 2019 to your Company, HDFC Trustee Company Limited (Trustee Company) and certain officials of your Company for alleged violations of SEBI (Mutual Funds) Regulations, 1996 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 your Company, officials of your Company 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/ EFD-2/SD/337/April/2020 dated April 16, 2020 in this regard whereby the enforcement action and enforcement proceedings had been disposed off against your Company, officials of your Company and Trustee Company.

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 FY 19-20 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 Standard Life Investments Limited, promoters of your Company and look forward to their continued support.

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
June 11, 2020

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

Dividend Distribution Policy

Objective

This Policy seeks to outline broad parameters that may be applied and considered by the Board of Directors of HDFC Asset Management Company Limited ("the Company") for the purpose of recommending / declaring dividend to the shareholders of the Company. The Company has followed a stable dividend policy in the past and strives to maintain a consistent dividend payout ratio.

The policy is framed in lines with requirements of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

Accordingly, this Policy has been approved and adopted by the Board of Directors of the Company at its meeting held on March 8, 2018 and subsequently modified on February 26, 2019.

A. Policy on Dividend Distribution

The Board, in light of the prevailing Companies Act 2013, Listing Regulations, Articles of Association and applicable law, while declaring / recommending dividend, shall ensure 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.

The Company has so far had a practice of only declaring interim dividend which was subsequently confirmed by the shareholders as final dividend. However, this policy is now being amended to authorise the Board to (i) declare interim dividend followed by recommendation of such additional amount as final dividend, (ii) final dividend or (iii) special dividend, in each case as may be permitted under the Companies Act, 2013 or any amendment, modification, variation or re-enactment thereof.

I. Parameters to be considered before recommending dividend:

The Board of Directors shall inter alia consider the following parameters before recommending dividend:

Statutory and Regulatory Parameters

The Company shall declare dividend only after ensuring compliance with provisions of the Companies Act, 2013 and rules made thereunder, the SEBI (Listing

Obligations and Disclosure Requirements) Regulations, 2015 as amended and any other regulations as may be applicable from time to time.

Financial parameters

- Profits earned during the financial year;
- Accumulated reserves;
- Profitability outlook for the next two/three years;
- Investment requirements for the Company;
- Expected future capital/liquidity requirements;
- Brands or business acquisitions;
- Expansion or modernization of existing businesses;
- Additional investments in other businesses;
- Other factors and/or material events which the Board may consider.

External Factors

- Shareholder expectations, including individual shareholders;
- Macro-economic conditions;
- Taxation provisions;
- Unfavourable market conditions;
- Government policies.

II. Circumstances under which the shareholders of the Company may or may not expect dividend

The Company may not distribute a dividend or may distribute a reduced quantum of dividend when there is absence or inadequacy of profits. Also, if one or more of the criterion for recommendation of dividend is not fulfilled by the Company, including any regulatory restriction placed on the Company on declaration of dividend, or if the Board is of the opinion that it would be prudent to conserve capital for growth or other exigencies, which shall be stated by the Board, dividend may not be declared or reduced dividend may be declared.

III. Utilisation of retained earnings

Retained earnings shall be utilized in accordance with prevailing regulatory requirements, creating reserves for specific objectives, fortifying the balance sheet against contingencies, generating higher returns for shareholders through reinvestment of profits for future growth and expansion and any other specific purpose as approved by the Board of Directors of the Company.

The Company shall endeavor to utilize retained earnings in a manner that shall be beneficial to both, the interests of the Company and its stakeholders.

Following a review of the above parameters, the Board shall take a view on the extent of Dividend to be distributed to the shareholders.

The Company currently has only one class of equity shares that are fully paid-up, which rank pari passu with respect to voting and dividend.

B. Conflict in Policy

In the event of a conflict between this policy and the extant regulations, the regulations shall prevail.

C. Disclosure of Policy

The Dividend Distribution Policy shall be disclosed in the Annual Report of the Company and placed on the Company's website, www.hdfcfund.com.

D. Amendments

Any subsequent amendment/modification in the Act, SEBI regulations and/or other applicable laws in this regard shall automatically apply to this Policy.

E. Review of Policy

The Board shall review the Dividend Distribution Policy of the Company every two years.

Annexure II

Secretarial Audit Report for the Financial Year ended March 31, 2020

*[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 authorized 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, 2020** 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, 2020 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. The Company does not have any Overseas Direct Investment and 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) Regulation 2014;
 - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008#;
 - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009#; and
 - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998# ;

The Regulations or Guidelines, as the case may be were not applicable 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, 1993.
- viii. The Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012. (Company

has not commenced the business of Alternative investment Funds).

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. ["Listing Regulations"]

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.

During the year, the Company has received show cause notices dated May 10, 2019, May 27, 2019 and June 12, 2019 from SEBI for certain alleged violations of the SEBI Mutual Fund Regulations, 1996 and circulars and guidelines issued thereunder against the Company in relation to the investments of Fixed Maturity Plans of HDFC Mutual Fund in debt instruments. The Company, on a suo moto basis, filed a settlement application, under the SEBI (Settlement Proceedings) Regulations, 2018, for the matters that were covered in the show cause notices. Accordingly, on April 16, 2020, vide a settlement order issued by SEBI, it has stated that enforcement proceedings initiated against the Company has been settled.

We further report that -

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive and Independent Directors. The Company has appointed an Independent Woman Director on its Board with effect from April 27, 2019 as required under Reg. 17(1) (a) of the Listing Regulations. 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 for meetings other than those held at shorter notice, 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 no specific events/actions, having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc.

For Bhandari & Associates
Company Secretaries

S. N. Bhandari

Partner
FCS No: 761; C P No. : 366
Mumbai | May 09, 2020
UDIN: F000761B000226107

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, 2020 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. Where ever 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

S. N. Bhandari

Partner

FCS No: 761; CP. No: 366

Mumbai | May 09, 2020

UDIN: F000761B000226107

Annexure III

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	A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs:	The Company carries its Corporate Social Responsibility (CSR) activities through various implementing agencies. The details of the AMC's CSR Initiatives project / programs and activities are provided in this annexure and more particularly specified in the CSR Policy which is uploaded and can be viewed on https://www.hdfcfund.com/about-us/corporate/csr
2	The Composition of the CSR Committee:	As on March 31, 2020, the CSR Committee comprises of following members of the Board – Mr. Deepak S. Parekh (Chairman) Mr. Parag Shah Mr. Milind Barve (Managing Director)
3	Average net profit of the company for last three financial years:	₹ 1,036.42 Crore
4	Prescribed CSR Expenditure (2% of the amount as in item 3 above):	₹ 20.73 Crore
5	Details of CSR spent during the financial year:	
(a)	Total amount spent for the financial year:	₹ 20.90 Crore
(b)	Amount unspent, if any:	Not Applicable

(c) Manner in which the amount spent during the financial year is detailed below:

Sr. No.	CSR project or activity identified	Sector in which the project is covered	Location	Amount (₹) outlay (budget) project or programs wise	Amount (₹) spent on the projects or programs sub-heads:		Cumulative expenditure upto the reporting period (₹)	Amount spent: Direct or through Implementing agency (₹)
					Direct expenditure on projects or programs	Overheads		
1.	Indian Cancer Cure Fund Project (ICCFP)	Promoting preventive health care	Mumbai (Maharashtra)	Up to ₹ 15 Crore per annum for 3 years effective FY 17-18 & Dividend on the investment made in HDFC Charity Fund for Cancer Cure 2017 (Scheme) by the Company for 3 years effective FY 17-18 & Additional amount of ₹ 1 Crore	16.56	-	56.50	16.56 Implementing Agency
2.	Parivaar Seva Kutir	Promoting education	Madhya Pradesh	1.31	1.31	-	1.31	1.31 Implementing Agency
3.	Ashoka University	Promoting education	Haryana	2.53	2.53	-	2.53	2.53 Implementing Agency
4.	Olympic Gold Quest	Training for Olympic Sports	Mumbai (Maharashtra)	0.50	0.50	-	1.95	0.50 Implementing Agency
Total					20.90			20.90

*Details of implementing agency: Implementing Agencies include Indian Cancer Society (ICS); Parivaar Education Society; International Foundation for Research and Education; and Foundation for Promotion of Sports & Games. Details of the Implementing agencies can be viewed on www.hdfcfund.com

6. **In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report:**
Not Applicable
7. **A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company:**
The CSR Committee confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

Sd/-

Deepak Parekh

Chairman of Corporate Social
Responsibility Committee

Sd/-

Milind Barve

Managing Director

Annexure IV

Form No. MGT-9
Extract of Annual Return
as on the Financial Year ended on March 31, 2020

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

I. Registration and Other Details:

CIN:	L65991MH1999PLC123027
Registration Date:	10-12-1999
Name of the Company:	HDFC Asset Management Company Limited
Category / Sub-Category of the Company:	Company Limited By Shares/ Non-Government Company
Address of the Registered office and contact details:	"HDFC House", 2nd Floor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai – 400 020 E-mail: shareholders.relations@hdfcfund.com Tel. No.: +91 22 6631 6333 Fax No.: +91 22 6658 0203
Whether listed company:	Yes
Name, Address and Contact details of Registrar and Transfer Agent:	KFin Technologies Private Limited (Formerly known as Karvy Fintech Private Limited) Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad – 500 032, Telangana. E-mail: inward.ris@kfintech.com Tel. No.: +91 40 67161512, 67162222 Fax. No.: +91 40 23431551 Toll Free no.: 1800-345-4001

II. Principal Business Activities of the Company:

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sr. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1.	Investment Manager	66301	98.10

III. Particulars of Holding, Subsidiary and Associate Companies:

Sr. No.	Name and Address of the company	CIN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
1.	Housing Development Finance Corporation Limited, Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai - 400 020	L70100MH1977PLC019916	Holding Company	52.72	2(46)

IV. Share Holding Pattern (Equity Share Capital Breakup as percentage of Total Equity):**i) Category-wise Share Holding**

Category of Shareholders	No. of Shares held at the beginning of the year (i.e. as on April 1, 2019)				No. of Shares held at the end of the year (i.e. as on March 31, 2020)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual /HUF	-	-	-	-	-	-	-	-	-
b) Central Government/ State Government	-	-	-	-	-	-	-	-	-
c) Bodies Corporates	11,21,79,830	-	11,21,79,830	52.77	11,21,79,830	-	11,21,79,830	52.72	(0.06)

Category of Shareholders	No. of Shares held at the beginning of the year (i.e. as on April 1, 2019)				No. of Shares held at the end of the year (i.e. as on March 31, 2020)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
d) Banks / Financial Institution	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A) (1)	11,21,79,830	-	11,21,79,830	52.77	11,21,79,830	-	11,21,79,830	52.72	(0.06)
(2) Foreign									
a) NRIs/ Foreign Individuals	-	-	-	-	-	-	-	-	-
b) Bodies Corporates	6,36,50,615	-	6,36,50,615	29.94	5,72,28,305	-	5,72,28,305	26.89	(3.05)
c) Banks / Financial Institutions	-	-	-	-	-	-	-	-	-
d) Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A) (2)	6,36,50,615	-	6,36,50,615	29.94	5,72,28,305	-	5,72,28,305	26.89	(3.05)
Total shareholding of Promoter and Promoter Group (A) = (A)(1)+(A)(2)	17,58,30,445	-	17,58,30,445	82.72	16,94,08,135	-	16,94,08,135	79.61	(3.11)
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	19,45,093	-	19,45,093	0.92	16,76,746	-	16,76,746	0.79	(0.13)
b) Banks / FI	3,01,739	-	3,01,739	0.14	7,90,441	-	7,90,441	0.37	0.23
c) Central Government/ State Government	-	-	-	-	-	-	-	-	-
d) Venture Capital Funds	-	-	-	-	-	-	-	-	-
e) Insurance Companies	-	-	-	-	-	-	-	-	-
f) Foreign Institutional Investors/ Foreign Portfolio Investors	88,62,255	-	88,62,255	4.17	1,70,24,790	-	1,70,24,790	8.00	3.83
g) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
h) Others (Alternative Investment Funds)	24,60,784	-	24,60,784	1.16	5,19,406	-	5,19,406	0.24	(0.91)
Sub-total (B)(1)	1,35,69,871	-	1,35,69,871	6.38	2,00,11,383	-	2,00,11,383	9.40	3.02
2. Non-Institutions									
a) Bodies Corporates	16,34,832	-	16,34,832	0.77	14,66,951	-	14,66,951	0.69	(0.08)
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	1,22,62,146	14	1,22,62,160	5.77	1,34,45,054	43	1,34,45,097	6.32	0.55
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	69,72,553	-	69,72,553	3.28	55,03,874	-	55,03,874	2.59	(0.69)

Category of Shareholders	No. of Shares held at the beginning of the year (i.e. as on April 1, 2019)				No. of Shares held at the end of the year (i.e. as on March 31, 2020)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
c) Others (specify)									
i. Clearing Members	2,04,383	-	2,04,383	0.10	3,25,460	-	3,25,460	0.15	0.06
ii. Non Resident Indians/ Foreign Nationals	5,12,655	-	5,12,655	0.25	5,91,333	-	5,91,333	0.28	0.03
iii. NBFC	5,474	-	5,474	0.00	1,949	-	1,949	0.00	0.00
iv. Trusts	27,313	-	27,313	0.01	10,159	-	10,159	0.00	(0.01)
v. Directors and their relatives	15,38,709	-	15,38,709	0.72	15,38,636	-	15,38,636	0.72	0.00
vi. Beneficiary Holding under MGT-4	14,815	-	14,815	0.01	18,760	-	18,760	0.01	0.00
vii. Qualified Institutional Buyers	-	-	-	-	4,81,588	0	4,81,588	0.23	0.23
Sub-total (B)(2)	2,31,72,880	14	2,31,72,894	10.90	2,33,83,764	43	2,33,83,807	10.99	0.09
Total Public Shareholding (B)=(B)(1)+(B)(2)	3,67,42,751	14	3,67,42,765	17.28	4,33,95,147	43	4,33,95,190	20.39	3.11
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	21,25,73,196	14	21,25,73,210	100	21,28,03,282	43	21,28,03,325	100	0.00

(ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year (i.e. as on April 1, 2019)			Shareholding at the end of the year (i.e. as on March 31, 2020)			% Change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1.	Housing Development Finance Corporation Limited	11,21,79,830	52.77	-	11,21,79,830	52.72	-	(0.06)
2.	Standard Life Investments Limited	6,36,50,615	29.94	-	5,72,28,305	26.89	-	(3.05)

(iii) Change in Promoters' Shareholding (Please specify, if there is no change)

Sr. No.	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc)	Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1.	Housing Development Finance Corporation Limited#				
	At the beginning of the year				
	01/04/2019	11,21,79,830	52.77	11,21,79,830	52.77
	At the end of the year				
	31/03/2020	-	-	11,21,79,830	52.72
2.	Standard Life Investments Limited#				
	At the beginning of the year				
	01/04/2019	6,36,50,615	29.94	6,36,50,615	29.94
	Offer for Sale for Public				
	04/12/2019	(64,22,310)	(3.02)	5,72,28,305	26.89
	05/12/2019				
	At the end of the year				
	31/03/2020	-	-	5,72,28,305	26.89

The percentage change is due to exercise of options under ESOP Scheme(s) during the year and Standard Life Investments Limited sold 64,22,310 equity shares of the Company to public through stock exchange mechanism on December 04 and 05, 2019 in accordance with

"Comprehensive Guidelines on Offer for Sale (OFS) of Shares by Promoters through the Stock Exchange Mechanism" issued by the Securities and Exchange Board of India

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sr. No	Name of Shareholder	Date	Shareholding at the beginning of the year		Cumulative shareholding during the year	
			No of shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1	Prashantkumar Rajendra Jain					
	At the beginning of the year	01/04/2019	8,88,000	0.42	8,88,000	0.42
	Bought during the year	-	-	-	-	-
	Sold During the year	-	-	-	-	-
	At the end of the year	31/03/2020	-	-	8,88,000	0.42
2	Smallcap World Fund, INC					
	At the beginning of the year	01/04/2019	22,81,986	1.07	22,81,986	1.07
	Bought during the year	-	7,90,632	0.37	30,72,618	1.45
	Sold during the year	-	(22,47,647)	(1.06)	8,24,971	0.39
	At the end of the year	31/03/2020	-	-	8,24,971	0.39
3	Valiant Mauritius Partners Offshore Limited					
	At the beginning of the year	01/04/2019	-	-	-	-
	Bought during the year	-	8,15,700	0.38	8,15,700	0.38
	Sold during the year	-	-	-	-	-
	At the end of the year	31/03/2020	-	-	8,15,700	0.38
4	Vanguard Total International Stock Index Fund					
	At the beginning of the year	01/04/2019	4,43,695	0.21	4,43,695	0.21
	Bought during the year	-	3,37,176	0.16	7,80,871	0.37
	Sold during the year	-	(11,514)	(0.01)	7,69,357	0.36
	At the end of the year	31/03/2020	-	-	7,69,357	0.36
5	Stichting Depository Apg Emerging Markets Equity Pool					
	At the beginning of the year	01/04/2019	-	-	-	-
	Bought during the year	-	5,60,546	0.26	5,60,546	0.26
	Sold during the year	-	-	-	-	-
	At the end of the year	31/03/2020	-	-	5,60,546	0.26
6	Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds					
	At the beginning of the year	01/04/2019	3,44,138	0.16	3,44,138	0.16
	Bought during the year	-	1,82,223	0.09	5,26,361	0.25
	Sold during the year	-	(4,401)	(0.00)	5,21,960	0.25
	At the end of the year	31/03/2020	-	-	5,21,960	0.25
7	Tata Banking & Financial Services Fund					
	At the beginning of the year	01/04/2019	-	-	-	-
	Bought during the year	-	5,11,500	0.24	5,11,500	0.24
	Sold during the year	-	-	-	-	-
	At the end of the year	31/03/2020	-	-	5,11,500	0.24
8	People's Bank of China					
	At the beginning of the year	01/04/2019	-	-	-	-
	Bought during the year	-	4,49,854	0.21	4,49,854	0.21
	Sold during the year	-	(3,919)	(0.00)	4,45,935	0.21
	At the end of the year	31/03/2020	-	-	4,45,935	0.21
9	Life Insurance Corporation of India					
	At the beginning of the year	01/04/2019	-	-	-	-
	Bought during the year	-	4,29,340	0.20	4,29,340	0.20
	Sold during the year	-	-	-	-	-
	At the end of the year	31/03/2020	-	-	4,29,340	0.20

Sr. No	Name of Shareholder	Date	Shareholding at the beginning of the year		Cumulative shareholding during the year	
			No of shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
10	Valiant Mauritius Partners Limited					
	At the beginning of the year	01/04/2019	-	-	-	-
	Bought during the year	-	4,22,758	0.20	4,22,758	0.20
	Sold during the year	-	-	-	-	-
	At the end of the year	31/03/2020	-	-	4,22,758	0.20
11	KKR India Debt Opportunities Fund II*					
	At the beginning of the year	01/04/2019	12,82,100	0.60	12,82,100	0.60
	Bought during the year	-	-	-	-	-
	Sold during the year	-	(12,82,100)	(0.60)	-	-
	At the end of the year	31/03/2020	-	-	-	-
12	The Regents of The University of California – State Street Global Advisors*					
	At the beginning of the year	01/04/2019	11,55,188	0.54	11,55,188	0.54
	Bought during the year	-	5,473	0.00	11,60,661	0.54
	Sold during the year	-	(11,55,188)	(0.54)	5,473	0.00
	At the end of the year	31/03/2020	-	-	5,473	0.00
13	SBI Magnum Multicap Fund*					
	At the beginning of the year	01/04/2019	4,75,500	0.22	4,75,500	0.22
	Bought during the year	-	1,49,893	0.07	6,25,393	0.29
	Sold during the year	-	(4,79,602)	(0.22)	1,45,791	0.07
	At the end of the year	31/03/2020	-	-	1,45,791	0.07
14	American Funds Insurance Series Global Small Capitalisation Fund*					
	At the beginning of the year	01/04/2019	4,46,831	0.21	4,46,831	0.21
	Bought during the year	-	2,97,870	0.14	7,44,701	0.35
	Sold during the year	-	(5,89,265)	(0.28)	1,55,436	0.07
	At the end of the year	31/03/2020	-	-	1,55,436	0.07
15	Mirae Asset India Equity Fund*					
	At the beginning of the year	01/04/2019	3,71,488	0.17	3,71,488	0.17
	Bought during the year	-	2,010	0.00	3,73,498	0.17
	Sold during the year	-	(3,71,488)	(0.17)	2,010	0.00
	At the end of the year	31/03/2020	-	-	2,010	0.00
16	Columbia Emerging Markets Fund*					
	At the beginning of the year	01/04/2019	2,84,897	0.13	2,84,897	0.13
	Bought during the year	-	-	-	-	-
	Sold during the year	-	(2,84,897)	(0.13)	-	-
	At the end of the year	31/03/2020	-	-	-	-

*Not in the list of Top 10 shareholders as on March 31, 2020. The same has been reflected above since they were in the Top 10 shareholders as on March 31, 2019.

Notes: (1) The shares of the Company are substantially held in dematerialised form and are traded on daily basis and hence, the date wise increase/decrease in shareholding is not indicated.

(2) The list of Top Ten Shareholders is derived based on PAN consolidation.

(v) Shareholding of Directors and Key Managerial Personnel:-

Sr. No	Name of the Director/Key Managerial Personnel	Date	Shareholding at the beginning of the year		Cumulative shareholding during the year	
			No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
I. Directors						
1.	Deepak Parekh					
	At the beginning of the Year	01/04/2019	1,60,000	0.08	1,60,000	0.08
	At the end of the Year	31/03/2020	-	-	1,60,000	0.08
2.	Keki Mistry					
	At the beginning of the Year	01/04/2019	1,68,320	0.08	1,68,320	0.08
	At the end of the Year	31/03/2020	-	-	1,68,320	0.08
3.	Renu Karnad					
	At the beginning of the Year	01/04/2019	1,68,320	0.08	1,68,320	0.08
	At the end of the Year	31/03/2020	-	-	1,68,320	0.08
4.	Jairaj Purandare					
	At the beginning of the Year	01/04/2019	-	-	-	-
	At the end of the year	31/03/2020	-	-	-	-
5.	Sanjay Bhandarkar					
	At the beginning of the Year	01/04/2019	-	-	-	-
	At the end of the year	31/03/2020	-	-	-	-
6.	Dhruv Kaji					
	At the beginning of the Year	01/04/2019	-	-	-	-
	At the end of the year	31/03/2020	-	-	-	-
8.	Parag Shah					
	At the beginning of the Year	01/04/2019	-	-	-	-
	At the end of the year	31/03/2020	-	-	-	-
9.	Roshni Nadar Malhotra					
	At the beginning of the Year	01/04/2019	-	-	-	-
	At the end of the year	31/03/2020	-	-	-	-
10.	Shashi Kant Sharma (Appointed w.e.f. October 26, 2019)					
	At the beginning of the Year	01/04/2019	-	-	-	-
	At the end of the year	31/03/2020	-	-	-	-
11.	James Aird					
	At the beginning of the Year	01/04/2019	-	-	-	-
	At the end of the year	31/03/2020	-	-	-	-
12.	N K Skeoch					
	At the beginning of the Year	01/04/2019	-	-	-	-
	At the end of the year	31/03/2020	-	-	-	-
II. Key Managerial Personnel						
1.	Milind Barve (Managing Director)					
	At the beginning of the year	01/04/2019	10,40,000	0.49	10,40,000	0.49
	At the end of the year	31/03/2020	-	-	10,40,000	0.49
2.	Piyush Surana (Chief Financial Officer)					
	At the beginning of the year	01/04/2019	1,37,622	0.06	1,37,622	0.06
	Market Sale	02/12/2019	(15,000)	(0.00)	1,22,622	0.06
	At the end of the year	31/03/2020	-	-	1,22,622	0.06
3.	Sylvia Furtado (Company Secretary)					
	At the beginning of the year	01/04/2019	1,02,968	0.05	1,02,968	0.05
	At the end of the year	31/03/2020	-	-	1,02,968	0.05

- Notes: 1. Mr. Vijay Merchant ceased to be an Independent Director due to end of tenure w.e.f. July 20, 2019 and holds 46 Equity shares as on March 31, 2020
2. Mr. Deepak Phatak ceased to be an Independent Director due to end of tenure w.e.f. July 20, 2019 and holds Nil Equity shares as on March 31, 2020
3. Mr. Hoshang Billimoria ceased to be an Independent Director due to end of tenure w.e.f. November 29, 2019 and holds 14 Equity shares as on March 31, 2020

V. Indebtedness:

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)				
Change in Indebtedness during the financial year				
- Addition				
- Reduction		NIL		
Net Change				
Indebtedness at the end of the financial year				
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)				

VI. Remuneration of Directors and Key Managerial Personnel:

A. Remuneration to Milind Barve - Managing Director

Sr. no.	Particulars of Remuneration	Amount ₹ (in Crore)
1.	Gross salary	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 [®]	3.46
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.03
	(c) Profits in lieu of salary u/s 17(3) Income-tax Act, 1961	-
2.	Stock Option*	-
3.	Sweat Equity	-
4.	Commission	
	- as % of profit	-
	- others, specify	2.96
5.	Others, please specify	-
	Total (A)	6.45
	Ceiling as per the Act	5% of the net profits of 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.

*During the year no stock options were granted or exercised.

B. Remuneration to other directors:
I: Independent Directors

₹ (in Crore)

Sr. No.	Name of Directors	Particulars of Remuneration			Total Amount
		Fee for attending board / committee meetings	Commission	Others, please specify	
1.	Mr. Deepak Phatak ¹	0.07	0.05	-	0.12
2.	Mr. Vijay Merchant ¹	0.11	0.05	-	0.16
3.	Mr. Hoshang Billimoria ²	0.13	0.15	-	0.28
4.	Mr. Dhruv Kaji	0.26	0.20	-	0.46
5.	Mr. Jairaj Purandare	0.19	0.20	-	0.39
6.	Mr. Sanjay Bhandarkar	0.27	0.20	-	0.47
7.	Mr. Parag Shah	0.10	0.20	-	0.30
8.	Ms. Roshni Nadar Malhotra	0.04	0.20	-	0.24
9.	Mr. Shashi Kant Sharma ³	0.05	0.05	-	0.10
	Total (1)	1.22	1.30	-	2.52

¹ Ceased to be Independent Directors due to end of tenure w.e.f. July 20, 2019

² Ceased to be an Independent Director due to end of tenure w.e.f November 29, 2019

³ Appointed as an Independent (Additional) Director w.e.f October 26, 2019

II: Other Non-Executive Directors

₹ (in Crore)

Sr. No.	Name of Directors	Particulars of Remuneration			Total Amount
		Fee for attending board / committee meetings	Commission	Others, please specify	
1.	Mr. Deepak Parekh	0.20	0.20	-	0.40
2.	Mr. Keki Mistry	0.22	0.20	-	0.42
3.	Ms. Renu Karnad	0.09	0.20	-	0.29
4.	Mr. N Keith Skeoch	-	-	-	-
5.	Mr. James Aird	-	-	-	-
	Total (2)	0.51	0.60	-	1.11
	Total Managerial Remuneration (B)=(I+II)	1.73	1.90	-	3.63
	Ceiling as per the Act		1% of the Net Profits of the Company		

C. Remuneration to Key Managerial Personnel other than MD:

₹ (in Crore)

Sr. no.	Particulars of Remuneration	Mr. Piyush Surana - Chief Financial Officer	Ms. Sylvia Furtado - Company Secretary	Total
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 [@]	1.33	0.86	2.19
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.00	0.00	0.00
	(c) Profits in lieu of salary u/s 17(3) Income tax Act, 1961	-	-	-
2.	Stock Option*	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission	-	-	-
	- as % of profit			
	- others, specify			
5.	Others, please specify	-	-	-
	Total (C)	1.33	0.86	2.19

[@] 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.

*During the year no stock options were granted or exercised.

VII. Penalties / Punishment/ Compounding of Offences:

During the year under review, the Company, its directors or any of its officers were not liable for any penalty, punishment or any compounding of offences under the Companies Act, 2013.

Annexure V

Disclosures on Managerial Remuneration

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

Ratio of remuneration of each director to the median employees' remuneration for FY 19-20

Name	Designation	Ratio of remuneration to the median employees' remuneration
Mr. Milind Barve	Managing Director	76:1
Mr. Deepak S. Parekh	Non-Executive - Non Independent Chairman	4.7:1
Mr. James Aird	Non-Executive - Non Independent Director	-
Mr. Keki Mistry	Non-Executive - Non Independent Director	4.9:1
Mr. Norman Keith Skeoch	Non-Executive - Non Independent Director	-
Ms. Renu Karnad	Non-Executive - Non Independent Director	3.4:1
Mr. Dhruv Kaji	Non-Executive - Independent Director	5.4:1
Mr. Jairaj Purandare	Non-Executive - Independent Director	4.6:1
Mr. Sanjay Bhandarkar	Non-Executive - Independent Director	5.5:1
Mr. Parag Shah	Non-Executive - Independent Director	3.5:1
Ms. Roshni Nadar Malhotra ¹	Non-Executive - Independent Director	2.8:1
Mr. Shashi Kant Sharma ²	Non-Executive - Independent Director	1.2:1
Mr. Hoshang Billimoria ³	Non-Executive - Independent Director	3.3:1
Dr. Deepak Phatak ⁴	Non-Executive - Independent Director	1.4:1
Mr. Vijay Merchant ⁴	Non-Executive - Independent Director	1.9:1

¹Appointed as an Independent Director of the Company w.e.f. April 27, 2019

²Appointed as an Independent Director (Additional Director) of the Company w.e.f. October 26, 2019

³Ceased to be an Independent Director of the Company due to end of tenure w.e.f. November 29, 2019

⁴Ceased to be Independent Directors of the Company due to end of tenure w.e.f. July 20, 2019

Percentage increase in the remuneration of each director and key managerial personnel in FY 19-20**Key Managerial Personnel**

Name	Designation	Increase in Remuneration (%)
Mr. Milind Barve	Managing Director	(10%)
Mr. Piyush Surana	Chief Financial Officer	(3%)
Ms. Sylvia Furtado	Company Secretary	6%

Non-Executive Directors

There was no change in the sitting fees paid to the Non-Executive Directors for attending meetings of board/committees which is ₹ 1 Lakh per meeting. The Commission to Non-Executive Directors will be paid after the financial statements are approved by the shareholders at the Annual General Meeting scheduled to be held on July 23, 2020.

The Non-Executive Directors were paid only sitting fees for FY 18-19 and pursuant to Shareholders' approval, the Company will be paying Commission to the Non-Executive Directors for the first time for FY 19-20 in addition to sitting fees as stated above. In view of the same, the percentage increase in remuneration paid/payable (i.e. sitting fees plus commission) to each Non-Executive Director is incomparable with the sitting fees paid to Non-Executive Directors last year.

Further details on remuneration for all the directors are provided in Form No. MGT- 9 (extract of Annual Return).

Percentage increase in the median remuneration of employees in FY 19-20

The percentage increase in the median remuneration of employees in FY 19-20 was 11%.

Number of permanent employees on the rolls of the Company

The Company had 1194 permanent employees as on March 31, 2020.

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 19-20 was 8.79% as compared to that of previous financial year. There was an average decrease in remuneration of managerial personnel by 10% as compared to that of previous year whereas in case of non-managerial personnel, there was average increase in remuneration of 8.81%.

The criteria for remuneration evaluation for all employees is based on an appraisal process which is conducted on semi-annual basis. The increase in remuneration is also dependent on the overall performance of the Company and not only on individual's performance. Due to COVID 19 pandemic, economic conditions have weakened and outlook has been uncertain. Keeping this in perspective, a cautionary approach was adopted by the Company and despite a strong year of performance, there was a decrease in managerial remuneration.

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

Yes

Business Responsibility Report (BRR)

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Preamble

HDFC Asset Management Company ("HDFC AMC") is the investment manager to the schemes of HDFC Mutual Fund ("HDFC MF"). HDFC AMC has firmly put in place a stakeholder centric Business Responsibility Framework, aligned to the principles of Business Responsibility as prescribed under the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs, Government of India, to thrust upon its Business Responsibility agenda. The disclosures made under this report provide transparent and relevant information to all the stakeholders on the efforts and performance against the nine principles of Business Responsibility.

This Business Responsibility Report (BRR), covers HDFC AMC's domestic operations and is aligned with the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by Ministry of Corporate Affairs, and is in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. HDFC AMC also complies with SEBI (Mutual Funds) Regulations, 1996.

A. General Information

1	Corporate Identity Number (CIN) of the Company
	L65991MH1999PLC123027
2	Name of the Company
	HDFC Asset Management Company Limited
3	Registered Address
	"HDFC House", 2nd Floor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai – 400 020
4	Website
	www.hdfcfund.com
5	Email ID
	shareholders.relations@hdfcfund.com
6	Financial Year Reported
	FY 19-20
7	Sector(s) that the Company is engaged in (industrial activity code-wise)
	66301
8	List three key products/ services that the Company manufactures/ provides (as in balance sheet)
	Mutual Funds, Portfolio Management Services, including Advisory Services
9	Total number of locations where business activity is undertaken by the Company
	i. Number of International Locations (Provide details of major 5)
	1 - Representative office in Dubai
	ii. Number of National Locations
	220 Investor Service Centres (ISCs)
10	Markets served by the Company - Local/ State/ National/ International
	Pan India and various international markets

B. Financial Details

1	Paid up Capital (INR)
	₹ 106.40 Crore
2	Total Turnover (INR)
	₹ 2,003.25 Crore
3	Total Profit After Taxes (INR)
	₹ 1,262.41 Crore
4	Total Spending on Corporate Social Responsibility (CSR) as percentage of Profit After Tax (%)
	Total spending on CSR is 2.02% of average net profit of the company for last three financial years.
5	List of activities in which expenditure in 4 above has been incurred
	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 area of promoting preventive health care. The Company also undertakes CSR activities in the areas of promoting sports and promoting education. The details of CSR activities are also available in the annexure on CSR which forms part of the Annual Report for FY 19-20.

C. Other Details

1	Does the Company have any Subsidiary Company/ Companies?
	No
2	Do the Subsidiary Company/ Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary companies
	Not Applicable
3	Do any other entity/ entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/ entities? [Less than 30%, 30-60%, More than 60%]
	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.

D. BR Information

The NVGs on social, environmental and economic responsibilities of business prescribed by the Ministry of Corporate Affairs advocates nine principles referred as P1-P9 as given below:

P1	Businesses should conduct and govern themselves with ethics, transparency and accountability
P2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
P3	Businesses should promote the well-being of all employees
P4	Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised
P5	Businesses should respect and promote human rights
P6	Businesses should respect, protect and make efforts to restore the environment
P7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
P8	Businesses should support inclusive growth and equitable development
P9	Businesses should engage with and provide value to their customers and consumers in a responsible manner

Details on each of the principles are provided in Section E.

1 Details of Director/ Directors responsible for BR

Details of the Director/ Directors responsible for implementation of the BR policy/ policies and BR head	
DIN Number:	00087839
Name:	MILIND BARVE
Designation:	Managing Director
Contact:	+91 22 66316350 (Board line)
Email:	shareholders.relations@hdfcfund.com

2 Principle Wise (As per NVG) BR Policy (Y/ N)

Details of Compliance

Sr. No.	Questions	Principles
1	Do you have a policy/ policies for each principle stated in the NVGs?	The essence of each of the principles of the NVGs is broadly encapsulated in the policy framework of the company which has been devised to ensure adherence to all applicable laws and regulations while considering industry best practices.
2	Has the policy been formulated in consultation with the relevant stakeholders?	The policies are framed taking into consideration the interest of the stakeholders. Our policies adhere to the guidelines/ rules issued by SEBI and Ministry of Corporate Affairs and self-governing body, AMFI. Any additional policies, as and when framed, would be post stakeholder consultations.
3	Has the policy been approved by the Board? If yes, has it been signed by MD/ Owner/ CEO/ appropriate Board Director?*	As mentioned above, the policies mandated under the applicable laws are duly approved by the Board, whereas the internal policies framed for the employees have necessary approvals.
4	Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	The Board and its various committees oversee the implementation of the policies of the company.
5	Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes, it is done from time to time.

Sr. No.	Questions	Principles
6	Does the Company have an in-house structure to implement the policy/ policies?	Yes, the administrative structure of the company ensures implementation of the above mentioned policy framework.
7	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Yes, as required by the policy framework.
8	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Independent audits regarding various aspects of the policy framework are carried out regularly. However a specific independent audit specifically on the NVG principles has not yet been done.
9	Does the policy conform to any national/ international standards? If yes, specify?	The essence of each principle of NVGs is captured in the internal policies of the company as well as in other policies of the company, which are mandated under the existing applicable laws and regulations and after considering the best practices adopted by the industry.
10	Indicate the link for the policy to be viewed online	All publicly disclosed policies are placed on the Company's website - https://www.hdfcfund.com

Governance related to BR

- Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year**
Annual
- Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**
The Company shall publish its maiden report on Business Responsibility for FY 19-20. The Company will publish this Report on an annual basis. It forms part of the Annual Report and is available on the website of the Company at www.hdfcfund.com.

E. Principle-wise performance

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.

- Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others?**

Internally, the Company has a Code of Conduct applicable to all employees and directors. Externally, all mutual fund participants such as distributors comply with policies set by the regulator and AMFI. The Company as well as the HDFC Group is committed to be professional and in compliance of all regulations in all dealings of the Company. The Company has prescribed guidelines and processes for the prevention of bribery, corruption and fraud. HDFC's zero tolerance in the matters relating to unethical practices has helped it not only gain the tremendous confidence and trust of its stakeholders but also market leadership. HDFC has strict protocols in place against sexual harassment in the workplace and strives to ensure a healthy and safe environment for all employees.

- How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.**

During the year, the Company has received 38 complaints from shareholders and all the complaints were resolved during the year. There was no complaint pending as on March 31, 2020.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

- List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/ or opportunities**

HDFC Debt Fund for Cancer Cure: The HDFC Debt Fund for Cancer Cure was the first mutual fund offering in India dedicated to philanthropy well before CSR became mandatory under the Companies Act, 2013. We have conducted this initiative 3 times, each for a period of 3 years. Through this product we have made an attempt to create a new asset class in the world of investment products dedicated to philanthropy. We have also focused on our digital platforms and significantly increased the share of our electronic transactions vis-a-vis physical paper-based transactions. We optimise client and distributor communication in favour of electronic means as much as possible, such as holding periodic con-calls/ VCs with distributors, eliminating events requiring travel, generating online statements, provide online dashboards, launching messaging services, etc.

- For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):**

Our products are service oriented and therefore have only the required electricity, water, paper, stationary, etc usage within our premises and by all stakeholders/ customers. Over the last 5 years we have invested heavily on our digital platforms and have managed to increase our share in electronic transactions meaningfully. We now process roughly 70% of our transactions electronically (non systematic transactions & new systematic registrations).

3. Does the company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

Not Applicable

4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

Local and small producer sourcing for administrative goods and services are availed where the same is not critical to business operations.

5. Does the company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%)? Also, provide details thereof, in about 50 words or so.

Yes, our offices are set up to recycle all paper, plastic and stationary refuse. We rent equipment where possible and optimize utilization of all resources. Although we do not track the percentage of these measures, we ensure the same as much as possible, and also communicate and train employees on the process.

Principle 3: Businesses should promote the wellbeing of all employees.

1. Please indicate the total number of employees:

The total number of employees in the Company were 1,194 on rolls as on March 31, 2020.

2. Please indicate the total number of employees hired on temporary/ contractual/ casual basis

There are approximately 1,353 employees.

3. Please indicate the number of permanent women employees:

There are 343 women employees.

4. Please indicate the number of permanent employees with disabilities:

The company believes in providing equal opportunities to all and does not differentiate candidates on the basis of disabilities. However, on the company's records, we have 1 employee with disability.

5. Do you have an employee association that is recognized by management?

No

6. What percentage of your permanent employees are a member of this recognized employee association?

Not Applicable.

7. Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, at the end of the financial year.

No.	Category	No. of complaints filed during the financial year	No. of complaints pending as on end of the financial year
1	Child labour/ forced labour/ involuntary labour	NIL	NIL
2	Sexual harassment	NIL	NIL
3	Discriminatory employment	NIL	NIL

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?

Permanent Employees – 16%

Permanent Women Employees – 15%

Casual/ Temporary/ Contractual Employees - 1%

Employees with Disabilities – 0%

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

1. Has the company mapped its internal and external stakeholders? Yes/ No

Yes. Internal and external key stakeholders are identified, which include Shareholders/ Investors, Customers, Employees, Distributors and Regulatory Bodies. Regular and planned engagements are conducted with all the identified stakeholder groups.

2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders?

Yes

3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders? If so, provide details thereof, in about 50 words or so.

Your Company undertakes its CSR activities through a variety of effective programs. The major thrust of the CSR activities of the Company is in the area of promoting preventive health care through its contribution towards Indian Cancer Cure Fund. The Company also undertakes CSR activities of promoting sports by making contributions towards the Olympic Gold Quest (OGQ) Foundation and promoting education through contributions towards Parivaar Seva Kutir and Ashoka University.

Principle 5: Businesses should respect and promote human rights.

1. Does the policy of the company on human rights cover only the company or extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others?

Yes, for the relevant areas.

2. How many stakeholder complaints have been received in the past financial year and what percent were satisfactorily resolved by the management?

Please refer our response to Principle No.1.

Principle 6: Businesses should respect, protect and make efforts to restore the environment.

1. **Does the policy related to Principle 6 cover only the company or extends to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ others.**
HDFC AMC places a great emphasis on business best practices, transparency and accountability. We understand our responsibility to operate in an environmentally sustainable and conscientious way by developing, promoting and implementing eco-friendly and resource efficient driven services. We have taken proactive steps to reduce the direct environmental impact of our operations and we endeavour to keep our environmental footprint as small as possible.
2. **Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming etc.?**
Our shift to Green methods of conducting business, such as shift towards electronic transactions, eliminating paper reports and forms where possible, recycling and reducing waste in all premises, etc form part of our contribution towards this cause. We have also deployed recycling stations and machines across our offices for paper, plastic, etc. This includes recycling of any plastic bottles, apart from replacing them completely with glass and metal bottles. Our efforts on recycling and usage go beyond the directives of local regulations. We also run employee awareness and communication drives in an effort to minimize and optimize usage of office equipment, stationery and consumables, energy, etc.
3. **Does the company identify and assess potential environmental risks? Y/ N**
Low relevance given the nature of the company's business.
4. **Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?**
No
5. **Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc? Y/ N. If yes, please give hyperlink for web page etc.**
Our offices are well optimised for conservation of energy. This includes installation of low consumption energy efficient fittings, including automatic lighting, water taps, air dryers, etc. All equipment used are ensured for energy efficiency and minimal wastage.
6. **Are the Emissions/ Waste generated by the company within the permissible limits given by CPCB/ SPCB for the financial year being reported?**
Not applicable
7. **Number of show cause/ legal notices received from CPCB/ SPCB which is pending (i.e. not resolved to satisfaction) at the end of the financial year.**
Not received any notice from CPCB/ SPCB.

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

1. **Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:**
Yes, Asset Management Companies including HDFC AMC are part of a self-governing body called Association of Mutual Funds in India (AMFI). It is also a member of the Indian Association of Alternative Investments Funds (IAAIF).
2. **Have you advocated/ lobbied through above associations for the advancement or improvement of public good? Yes/ No; if yes specify the broad areas (e.g. Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)**
Yes. 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 8: Businesses should support inclusive growth and equitable development

1. **Does the company have specified programmes/ initiatives/ projects in pursuit of the policy related to Principle 8? If yes details thereof.**
We believe that our growth is dependent on the development of our distribution partners, creating investment culture among the investors. In view of this we have put significant efforts towards growth and development of our distribution partners, as well as the public (customer as well as non-customers), through various training programmes and awareness material. Our fair treatment of all stakeholders, including our fair treatment of customers in services offered, expense ratio charged, etc. ensure equitable participation in growth.
2. **Are the programmes/ projects undertaken through in-house team/ own foundation/ external NGO/ government structures/ any other organization?**
HDFC AMC for the purpose of its CSR and donations under HDFC Charity Fund for Cancer Cure, has partnered with Indian Cancer Society, India's first non-profit, national organization for awareness, detection, cure and survivorship of those affected with cancer. Additionally, the AMC has also partnered with other NGOs involved in the areas of promoting sports and promoting education.
3. **Have you done any impact assessment of your initiative?**
HDFC Charity Fund for Cancer Cure project started with the principal objective of providing financial aid for treatment of needy cancer patients. The project provides financial aid upto ₹ 4 Lakh per patient to a needy cancer patient and emerge a victor against the deadly disease. The project has transformed lives of over 8,100 underprivileged cancer patients across 34 Indian states and Union Territories, many of whom completed their treatment and returned to productive life once again. The project has been implemented at pan India level with ~ 73% of the beneficiaries with less than 45 years of age and as per the recent demographic data issued by ICS approx. 28% of the total beneficiaries are below 15 years of age.
4. **What is your company's direct contribution to community development projects? Amount in INR and the details of the projects undertaken.**
During the FY 19-20, the Company had contributed ₹ 16.56 Crore donation to ICS as part of its CSR initiative, apart from this the Company had also contributed an amount of ₹ 1.305 Crore to Parivaar Education Society, ₹ 2.53 Crore to International Foundation for Research and Education and ₹ 50 Lakh to Foundation for Olympic Gold Quest. The details of CSR activities are also available in the annexure on CSR which forms part of the Annual report for FY 19-20.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

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 area of promoting preventive health care. The Company also undertakes CSR activities in the areas of promoting sports and promoting education. These programmes have been successfully implemented in line with its objectives.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.

1. What percentage of customer complaints/ consumer cases are pending at the end of the financial year?

Year	Complaints	Complaints Pending	Transactions	Live Accounts	% to transactions	% to Live Accounts
FY 19-20	5,293	9	5,61,89,428	9,396,000	0.0094%	0.0563%

2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/ No/ N.A./Remarks

Yes, the Company complies with disclosure requirements relating to its products and services, especially as per AMFI guidelines on product labelling within risk and disclosure categories.

3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/ or anti-competitive behaviour during the last five years and pending at the end of the financial year? If so, provide details thereof, in about 50 words

No

4. Did your company carry out any consumer survey/ consumer satisfaction trends?

Yes, we do conduct consumer survey/ satisfaction trends.

Corporate Governance Report

Company's philosophy on the Code of Governance

At HDFC Asset Management, we believe that good Corporate Governance is essential for achieving long-term corporate goals and enhancing stakeholder value. Your Company constantly works towards achieving highest standards of Corporate Governance, while emphasizing on integrity, transparency, creating a sustainable culture in a manner beneficial to all stakeholders and the Regulators.

Your Company has adhered to its commitment of undergoing a phased process of board renewal, with the induction of new independent directors. Through this process, the board has strengthened its core skill sets to meet with the changing requirements of the business environment. Your Company has an active, well-informed and independent board which ensures that standards of good governance and sustainability are followed. The Board of Directors and Management of the Company endeavors to enhance the long term stakeholder value.

This report states compliance with the requirements under Companies Act, 2013 (the Act) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) as applicable to the Company.

Board of Directors Composition

As of March 31, 2020, the Board comprises of twelve members. There are eleven non-executive directors including the Chairman of the Company and one executive director viz. the Managing Director. Of the eleven non-

executive directors, six are independent directors. The composition of the board is in conformity with the Listing Regulations and Companies Act, 2013. The independent directors have confirmed that they satisfy the criteria prescribed for an independent director as stipulated in the Listing Regulations and Section 149(6) of the Companies Act, 2013 and are independent of the management. None of the directors of the Company are related to each other. All the directors have also confirmed that they are not debarred from holding the office of director by virtue of any order 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 Board has the appropriate balance and breadth of backgrounds, business experience, skills and expertise in areas vital to the Company's success given its present markets served and stage of development. Brief profiles of the directors are set out in the Annual Report.

The number of shares held by the non-executive directors is disclosed in Extract of the form MGT - 9 forming part of this Annual Report.

All the Directors have periodically and regularly informed the Company about their Directorship and Membership on the Board/Committees of the Board of other companies. As per the disclosures received, none of the Directors of the Company hold memberships/Chairmanships more than the prescribed limits across all companies in which he/she is a Director.

Details of the Board of Directors in terms of their directorships/memberships in committees of other public companies are as under:

Sr No	Name of Director	Category	As on March 31, 2020					Listed Entities	
			Number of Directorships*	Number of committees**		Name of the Company	Nature of Directorship		
				Member	Chairman				
1	Mr. Deepak Parekh	Non-Executive Non-Independent Director	5	1	-	1. Siemens Limited 2. HDFC Life Insurance Company Limited 3. Housing Development Finance Corporation Limited (HDFC Ltd)	Independent Director (Chairman) Non – Executive Director (Chairman) Non-Executive Director (Chairman)		
2	Mr. Keki Mistry	Non-Executive Non-Independent Director	6	4	3	1. Tata Consultancy Services Limited 2. Torrent Power Limited 3. HDFC Life Insurance Company Limited 4. HDFC Ltd	Independent Director Independent Director Non – Executive Director Non – Executive Director (Vice Chairman & CEO)		
3	Ms. Renu Karnad	Non-Executive Non-Independent Director	8	5	2	1. ABB India Limited 2. HDFC Life Insurance Company Limited 3. HDFC Ltd 4. HDFC Bank Limited 5. GlaxoSmithKline Pharmaceuticals Limited 6. Unitech Limited	Independent Director Non-Executive Director Managing Director Additional Director Chairperson Nominee Director		
4	Mr. Norman Keith Skeoch	Non-Executive Non-Independent Director	-	-	-	-	-		
5	Mr. James Aird	Non-Executive Non-Independent Director	-	-	-	-	-		
6	Mr. Dhruv Kaji	Non-Executive Independent Director	3	4	1	1. Network18 Media & Investments Limited 2. Ceinsys Tech Limited 3. TV18 Broadcast Limited	Independent Director Independent Director Independent Director		
7	Mr. Jairaj Purandare	Non-Executive Independent Director	1	-	1	1. S H Kelkar and Company Limited	Independent Director		
8	Mr. Sanjay Bhandarkar	Non-Executive Independent Director	6	4	2	1. S Chand and Company Limited 2. The Tata Power Company Limited	Independent Director Independent Director		
9	Mr. Parag Shah	Non-Executive Independent Director	7	1	-	1. Mahindra Logistics Limited	Non-Executive Director		
10	Ms. Roshni Nadar Malhotra	Non-Executive Independent Director	1	1	-	1. HCL Technologies Limited	Non-Executive Director		
11	Mr. Shashi Kant Sharma [#]	Non-Executive Independent Director	3	2	-	1. Mangalore Chemicals and Fertilizers Limited	Independent Director		
12	Mr. Milind Barve - Managing Director	Executive Director	-	-	-	-	-		

Notes:

- Mr. Hoshang Billimoria (Non-Executive & Independent Director) ceased to be a director of the Company w.e.f. November 29, 2019 due to end of tenure
- Mr. Vijay Merchant and Dr. Deepak Phatak (Non-Executive & Independent Directors) ceased to be directors of the Company w.e.f. July 20, 2019 due to end of tenure

[#] Appointed as Independent (Additional) Director of the Company w.e.f. October 26, 2019

* 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 the Company and also be compliant with the applicable regulations:

Name of the Director	Qualification	Field of specialisation
Mr. Deepak Parekh, Chairman	Fellow of the Institute of Chartered Accountants (England & Wales)	<ul style="list-style-type: none"> - International Expertise/Strategic Planning - Risk Management Expertise - Financial Expertise - Marketing Expertise - Operational Expertise - Industry Expertise - Regulatory Expertise - Mergers and Acquisitions
Mr. Keki Mistry	Fellow of the Institute of Chartered Accountants of India	<ul style="list-style-type: none"> - Risk Management Expertise - Financial Expertise - Operational Expertise - Industry Expertise - Regulatory Expertise - Mergers and Acquisitions
Ms. Renu Sud Karnad	Masters in Economics from University of Delhi, Graduate in law from University of Mumbai, Parvin Fellow – Woodrow Wilson School of International Affairs, Princeton University, U.S.A.	<ul style="list-style-type: none"> - Risk Management Expertise - Financial Expertise - Legal Expertise - Industry Expertise
Mr. Norman Keith Skeoch	Economics (BA Hons.) from University of Sussex and MA (Economics) at University of Warwick, FSI (Fellow of Securities & Investment Institute), Fellow of the Society of Business Economists, Fellow of the Royal Society for the Encouragement of the Arts, Manufacture and Commerce.	<ul style="list-style-type: none"> - International Expertise/Strategic Planning - Risk Management Expertise - Financial Expertise - Operational Expertise - Industry Expertise - Regulatory Expertise
Mr. James Aird	Graduate in Economics from Edinburgh University	<ul style="list-style-type: none"> - International Expertise/Strategic Planning - Risk Management Expertise - Financial Expertise - Marketing Expertise - Operational Expertise - Industry Expertise
Mr. Dhruv Kaji	B.Com. (University of Mumbai), Chartered Accountant	<ul style="list-style-type: none"> - International Expertise/Strategic Planning - Financial Expertise - Operational Expertise - Mergers and Acquisitions
Mr. Jairaj Purandare	B.Sc. (Hons) (University of Mumbai), Chartered Accountant	<ul style="list-style-type: none"> - International Expertise/Strategic Planning - Financial Expertise - Operational Expertise - Industry Expertise - Regulatory Expertise
Mr. Sanjay Bhandarkar	B. Com. (University of Pune), MBA (XLRI, Jamshedpur)	<ul style="list-style-type: none"> - Technology/Digital Media Expertise - Risk Management Expertise - Financial Expertise - 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	<ul style="list-style-type: none"> - International Expertise/Strategic Planning - Technology/Digital Media Expertise - Financial Expertise - Industry Expertise - Mergers and Acquisitions
Ms. Roshni Nadar Malhotra	MBA from the Kellogg Graduate School of Management, Northwestern University	<ul style="list-style-type: none"> - International Expertise/Strategic Planning - Financial Expertise - Marketing Expertise
Mr. Shashi Kant Sharma	M.A in Political Science, University of Agra, M.Sc. in Administrative Science and Development Problems, University of York (The U.K.) IAS (1976 Batch)	<ul style="list-style-type: none"> - International Expertise/Strategic Planning - Financial Expertise - Risk Management Expertise - Regulatory Expertise

Name of the Director	Qualification	Field of specialisation
Mr. Milind Barve	Graduate in Commerce, Fellow of the Institute of Chartered Accountants of India	<ul style="list-style-type: none"> - International Expertise/Strategic Planning - Risk Management Expertise - Financial Expertise - Marketing Expertise - Legal Expertise - Operational Expertise - Industry Expertise - Regulatory Expertise - Mergers and Acquisitions

Responsibilities

As a whole, the Board of Directors of the Company bears a legal responsibility to govern the Company and their primary responsibility is one of stewardship and trusteeship on behalf of the stakeholders. The Board as part of its role determines the Company's vision and sets the pace for its current operations and future development. The Company's framework is designed to enable the Board to provide strategic guidelines for the Company and effective oversight of management of the Company. The Board delegates the decision making to various Committees of the Board which focuses their attention on crucial issues before placing the same before the board for its consideration.

The responsibilities of the Board also includes ensuring that the Company has appropriate corporate governance structures in place including standards of ethical behavior and promoting a culture of corporate and social responsibility. Additionally, the Board also ensures that the corporate governance practices adopted by the Company provides empowerment to the executive management of the Company, which simultaneously create a mechanism of checks and balances, ensuring that the decision making powers vested in the executive management are not only not misused, but are used with responsibility to meet Company's vision, stakeholder aspirations and societal expectations.

The Board periodically reviews codes and policies approved by it to ensure that the same are in conformity with the applicable regulations.

Appointment of Independent Directors

The Company has a Nomination & Remuneration Policy, based on which an existing director whose appointment is intended to be continued and a new director proposed to be appointed is evaluated. The Nomination & Remuneration Committee recommends and the Board of Directors

approves the appointment/re-appointment of independent directors. New directors are inducted after assessing their skill requirements and identifying areas of expertise which would be beneficial for the Company. The process for re-appointment of independent directors involves evaluation of the contributions made by the existing directors. Details of the appointment of independent director are provided in the Directors' Report. A sample letter detailing the terms and conditions of appointment of the independent directors has been placed on the Company's website at <https://www.hdfcfund.com/about-us/governance/codes-policies>.

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

Schedule IV to the Companies Act, 2013 and the Listing Regulations mandate the Independent Directors of the Company to hold at least one meeting in a financial year, without the attendance of Non-Independent Directors. At such meeting, the Independent Directors, *inter alia*, review the performance of (i) Non-Independent Directors and the Board as a whole, (ii) Chairman of the Company taking into account views of Executive/Non-Executive Directors and (iii) assessing the quality, quantity and timeliness of flow of information between the Company's management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

The Independent Directors of the Company met on February 27, 2020 during this year.

Familiarisation Programme

The Directors are updated periodically with overview of the Mutual Fund industry, performance of the Company, regulatory developments, overview and outlook of Indian economy, markets update and trends, risk management mechanism and such other information as may be required by them.

The Company conducts an orientation programme for the new Independent Directors to enable them to familiarize with the governance practices followed by the Company, mutual fund business, regulatory developments, compliance processes adopted by the Company and financial matters. An overview of the familiarisation programme during the year has been placed on the Company's website at <https://www.hdfcfund.com/about-us/governance/codes-policies>.

The above initiatives help the Director to understand the Company, its business and the regulatory framework in which the Company operates and equips him/her to effectively discharge his / her role as a Director of the Company.

Board meetings

The meetings of the Board of Directors are normally held at the Company's Registered Office in Mumbai. Meetings are generally scheduled well in advance and the notice of each board meeting is given in writing to each director. Members of the Board are free to convene a board meeting at any time and shall inform the Company Secretary regarding the same.

The Company Secretary in consultation with the Managing Director prepares a detailed agenda for the meetings and subsequently discussed with the Chairman. The Board is provided with the relevant information as stipulated under the SEBI Mutual Fund Regulations and related circulars, Listing Regulations and Companies Act, 2013 and rules thereto. The members of the Board have access to all information of the Company. The board papers, agenda and other explanatory notes are circulated to the directors well in advance. The members of the Board are free to recommend inclusion of any matter in the agenda for discussion.

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 meetings/Committee meetings, the Managing Director and senior management, who are invited to the Board/ Committee meetings, make presentations on various matters including the financial results, operations related issues, risk management, the economic and regulatory changes.

During the financial year, eight (8) Board meetings were held i.e. on April 26, 2019; May 24, 2019; June 12, 2019; July 16, 2019; September 24, 2019; October 25, 2019; January 21, 2020 and February 26, 2020.

The details of attendance at the Board meetings held during the financial year and at the last AGM are as follows:

Name of Director	Number of Board meetings		Attendance at the 20 th AGM
	Held during tenure	Attended	
Mr. Deepak Parekh	8	8	Yes
Mr. Keki Mistry	8	8	Yes
Ms. Renu Karnad	8	5	Absent
Mr. James Aird	8	6	Absent
Mr. Norman Keith Skeoch	8	1	Absent
Mr. Hoshang Billimoria ¹	6	4	Yes
Mr. Vijay Merchant ²	4	4	Yes
Dr. Deepak Phatak ²	4	4	Yes
Mr. Dhruv Kaji	8	7	Yes
Mr. Jairaj Purandare	8	6	Yes
Mr. Sanjay Bhandarkar	8	8	Yes
Mr. Parag Shah	8	7	Yes
Ms. Roshni Malhotra ³	7	4	Yes
Mr. Shashi Kant Sharma ⁴	2	2	NA
Mr. Milind Barve	8	8	Yes

¹ Ceased to be an Independent Director due to end of tenure w.e.f. November 29, 2019

² Ceased to be Independent Directors due to end of tenure w.e.f. July 20, 2019

³ Appointed as an Independent Director w.e.f. April 27, 2019

⁴ Appointed as an Additional (Independent) Director w.e.f. October 26, 2019

Video-conferencing facility is also provided at the Board/ Committee meetings in case any director is unable to attend but wishes to participate in the meetings.

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 composition, powers, roles and the terms of reference of the Committee are in terms of the requirement of Section 177 of the Act and Regulation 18 of the Listing Regulations.

The Audit Committee comprises six Non-Executive Directors of which four are Independent Directors, who are well-versed with accounting, financial matters and corporate laws.

The Chairman of the Audit Committee was present at the last Annual General Meeting of the Company.

During the year, five (5) Audit Committee meetings were held i.e. on April 26, 2019; July 16, 2019; September 4, 2019; October 25, 2019 and January 21, 2020.

The composition of the Committee along with the attendance of the directors at the meetings is as follows:

Name of Director	Number of meetings	
	Held during tenure	Attended
Mr. Dhruv Kaji (Chairman) ¹	5	4
Mr. Keki Mistry	5	5
Mr. James Aird	5	3
Mr. Hoshang Billimoria ²	4	4
Mr. Vijay Merchant ³	2	2
Mr. Jairaj Purandare	5	5
Mr. Sanjay Bhandarkar ⁴	3	3
Mr. Shashi Kant Sharma ⁵	1	1

¹ Appointed as Chairman w.e.f. November 30, 2019

² Ceased to be a member and Chairman of the Committee w.e.f. November 29, 2019

³ Ceased to be a member of the Committee w.e.f. July 20, 2019

⁴ Appointed as member of the Committee w.e.f. August 27, 2019

⁵ Appointed as member of the Committee w.e.f. October 26, 2019

The Company Secretary acts as the Secretary to the Audit Committee. The Committee invites the Managing Director, Chief Financial Officer, Head - 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 are as per the guidelines set out in the Listing Regulations read

with Section 177 of the Companies Act, 2013. These broadly include:

- 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.
- Recommendation for appointment, remuneration and terms of appointment of auditors of the Company.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements and the auditors' report thereon, before submission to the Board for approval, with particular reference to:
 - matters required to be included in the Director's 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
 - changes, if any, in accounting policies and practices and reasons for the same
 - major accounting entries involving estimates based on the exercise of judgement by management
 - significant adjustments made in the financial statements arising out of audit findings
 - compliance with listing and other legal requirements relating to financial statements
 - disclosure of any related party transactions
 - modified opinion(s) in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- 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.
- 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. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Nomination & Remuneration Committee

The composition, powers, roles and the terms of reference of the Committee are in terms of the requirement of Section 178 of the Act and Regulation 19 of the Listing Regulations.

During the year, three (3) Nomination & Remuneration Committee meetings were held on April 15, 2019; September 4, 2019 and January 21, 2020. The composition of the Committee along with the attendance of the directors is as follows:

Name of Director	Number of meetings	
	Held during tenure	Attended
Mr. Jairaj Purandare (Chairman) ¹	3	3
Mr. Vijay Merchant ²	1	1
Mr. Hoshang Billimoria ³	2	2
Mr. Dhruv Kaji	3	3
Mr. Deepak Parekh ⁴	2	2
Mr. Parag Shah ⁵	0	0

¹ Appointed as Chairman of the Committee w.e.f. November 30, 2019

² Ceased to be a member and chairman of the Committee w.e.f. July 20, 2019

³ Appointed as Chairman w.e.f. August 27, 2019. Ceased to be a member and chairman of the Committee w.e.f. November 29, 2019

⁴ Appointed as a member of the Committee w.e.f. August 27, 2019

⁵ Appointed as a member of the Committee w.e.f. January 22, 2020

The Company Secretary acts as the Secretary to the Committee.

The broad terms of reference of the Nomination & Remuneration Committee include:

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 of the Company has been uploaded and can be accessed on the Company's website at <https://www.hdfcfund.com/about-us/governance/codes-policies>.

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. Stock Options may be granted to the Non-Independent Directors of the Company as approved by the Committee. No stock options are granted to Independent Directors.

Details of the remuneration and shareholding of Non-Executive Directors are provided in form MGT-9 forming part of this Annual Report.

There were no other pecuniary relationships or transactions of Non-Executive Director vis-à-vis the Company.

Executive Director

The Managing Director is eligible for remuneration as approved by the Shareholders of the Company at their Extra-Ordinary General Meeting held on October 14, 2017 based on the recommendation of the Nomination & Remuneration Committee and approved by the Board of Directors.

The break-up of the pay scale, commission and quantum of perquisites including, employer's contribution to P.F, gratuity, club fees etc. is decided and approved by the Board on the recommendation of the Nomination & Remuneration Committee and is within the overall remuneration approved by the shareholders. Stock Options are granted to the Managing Director of the Company as approved by the

Committee. The annual increments of the Managing Director is linked to his performance and is decided by the Nomination & Remuneration Committee. Terms of the service and the notice period are as per the terms of agreement entered into by him with the Company.

Details of remuneration paid to the Managing Director during the year along with the shareholding are provided in form MGT – 9 forming part of this Annual Report.

Evaluation of the Board and Directors

The Board, as an outcome of the evaluation process last year, adopted a formal policy on succession planning for Directors & KMP and also refreshed the Board by appointing an independent woman director, Ms. Roshni Nadar Malhotra and also appointed Mr. Shashi Kant Sharma as an Independent Director.

During the year, the Board carried out an annual evaluation of its own performance, board committees and individual directors pursuant to the provisions of the Act and Listing Regulations. Based on the recommendation of the Nomination & Remuneration Committee, the Board laid down the criteria for evaluation. This exercise was carried out through a structured questionnaire prepared separately for the Board, Committees, Chairman and individual Directors. The evaluation process was completed by the Company which evaluated the 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. Additionally, the performance evaluation of individual directors, including the Chairman was based on the parameters such as meeting attendance, participation and contribution at the meeting. The said criteria are broadly based on the Guidance Note on Board Evaluation issued by the Securities and Exchange Board of India on January 5, 2017.

All the directors participated in the board evaluation and review exercise including the peer evaluations excluding the director being evaluated. Since Mr. Shashi Kant Sharma was recently inducted on the Board, he did not participate in the evaluation exercise. The Chairman's performance evaluation was carried out by Independent Directors at a separate meeting.

At separate meetings of the Nomination & Remuneration Committee, Independent Directors meeting and Board meeting, responses of the Board evaluation questionnaire were reviewed, discussed and the suggestions provided by the directors were noted.

The Independent directors at their meeting placed on record their appreciation for the exemplary leadership role of the Board's Chairman in upholding and following the highest values and standards of corporate governance.

The Board noted the views of the independent directors and their appreciations for the exemplary leadership role of the Chairman of the Board. It also expressed its satisfaction with the evaluation results and the overall engagement and effectiveness of the Board and its various Committees. Based on the outcome of the evaluation and the feedback received from the directors, the Board and the Management of the Company have agreed on various action points and initiatives to be implemented in the FY 20-21.

Stakeholders Relationship Committee

The composition, powers, roles and the terms of reference of the Committee are in terms of the requirement of Section 178 of the Act and Regulation 20 of the Listing Regulations.

During the year, four (4) Stakeholders Relationship Committee meetings were held on April 26, 2019; July 16, 2019; October 25, 2019 and January 21, 2020.

The composition of the Committee along with attendance of the directors is as follows:

Name of Director	Number of meetings	
	Held during tenure	Attended
Ms. Renu Sud Karnad (Chairperson)	4	2
Mr. James Aird	4	3
Mr. Jairaj Purandare	4	4
Mr. Deepak Parekh	4	3
Mr. Deepak Phatak ¹	2	1
Mr. Vijay Merchant ¹	2	2
Mr. Dhruv Kaji	4	4
Mr. Sanjay Bhandarkar	4	4

¹Ceased to be members of the Committee w.e.f. July 20, 2019

The broad terms of reference of the Stakeholders Relationship Committee include:

- To review the activities carried out by the investor service centres of the Company and their adherence to service standards.
- To 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.
- To 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.

- To review the measures taken for effective exercise of voting rights by shareholders.
- To review adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent.
- To 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

Ms. Sylvia Furtado, Company Secretary of the Company is the Compliance Officer for the purpose of Listing Regulations.

There were 3 investor complaints at the beginning of the financial year. During the year under review, the Company received 38 complaints from shareholders/SEBI/ Stock Exchanges/ MCA. There were no complaints pending as on March 31, 2020. The Complaints were redressed to the satisfaction of the shareholder. There were no transfer requests received by the Company during the year.

Corporate Social Responsibility

The composition, powers, roles and the terms of reference of the Committee are in terms of the requirement of Section 135 of the Companies Act, 2013 and the Rules framed thereunder.

During the year, two (2) Corporate Social Responsibility (CSR) Committee meetings were held on September 4, 2019 and January 21, 2020. The composition of the Committee along with attendance of the directors is as follows:

Name of Director	Number of meetings	
	Held during tenure	Attended
Mr. Deepak Parekh (Chairman)	2	2
Mr. Milind Barve	2	2
Mr. Vijay Merchant ¹	NA	NA
Mr. Parag Shah ²	2	2

¹Ceased to be a member of the Committee w.e.f. July 20, 2019

²Appointed as a member w.e.f. August 27, 2019

The broad terms of reference of the CSR Committee, *inter alia*, include formulation of Corporate Social Responsibility Policy, recommendation of the amount of expenditure to be incurred on the CSR activities and review and approval of projects/ programmes to be supported by the Company. Details of CSR activities form part of the Director's Report.

Risk Management Committee

The Company has constituted the Risk Management Committee in line with the SEBI Listing Regulations, which looks into various areas of risk management and internal controls pertaining to Mutual Fund and the Company.

During the year, four (4) Risk Management Committee meetings were held on April 26, 2019; July 16, 2019; October 25, 2019 and January 21, 2020. The composition of the Committee along with attendance of the directors is as follows:

Name of Directors	Number of meetings	
	Held during tenure	Attended
Mr. Deepak Parekh	4	4
Mr. Hoshang Billimoria ¹	3	3
Mr. Deepak Phatak ²	2	2
Mr. Vijay Merchant ²	2	2
Ms. Renu Sud Karnad	4	2
Mr. Keki Mistry	4	4
Mr. James Aird	4	3
Mr. Sanjay Bhandarkar	4	4
Mr. Shashi Kant Sharma ³	1	1

¹ Ceased to be member of the Committee w.e.f. November 29, 2019

² Ceased to be members of the Committee w.e.f. July 20, 2019

³ Appointed as member of the Committee w.e.f. October 26, 2019

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 three Annual General Meetings as under:

Nature of Meeting	Date	Time	Venue	Special Resolution passed
20 th Annual General Meeting	July 16, 2019	3.00 p.m.	"Birla Matushri Sabhagar", 19, New Marine Lines, Mumbai 400 020	Three Special Resolutions were passed - (1) Approval for continuing the directorship of Mr. Deepak Parekh as Non-Executive Director (2) Approval for Re-appointment of Mr. Hoshang Billimoria as an Independent Director (3) Approval and Ratification of Article Nos. 127, 149 and 156(3) of Articles of Association of the Company
19 th Annual General Meeting	April 17, 2018	9.00 a.m.	Registered Office of the Company at "HDFC House", 2nd floor, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai - 400 020	Two Special Resolutions were passed - (1) Approval for increase in threshold of loans/guarantees, providing of securities and making of investments in securities under Section 186 of the Companies Act, 2013 (2) Approval for increase in borrowings limits
18 th Annual General Meeting	May 26, 2017	12.30 p.m.	Mumbai - 400 020	None

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 the Company are published in Business Standard, (English) Newspaper circulating in substantially whole of India and Navshakti (Marathi) vernacular newspaper and are also available on the website of the Company at www.hdfcfund.com

News Releases and Presentations: Official News Releases are sent to the Stock Exchange before their release to media for wider dissemination. Presentation made to Investors/ Analysts, Media, Institutional Investors, etc. are available on the website of Stock Exchange 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's information is available. It contains comprehensive information which is of interest to shareholders including

the financial results, Annual Reports, information disclosed to Stock Exchange, policies of the Company, etc.

Annual Report: Annual Report containing, *inter alia*, Notice of the Annual General Meeting, Audited Annual Accounts, Directors' 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 Report form part of the Annual Report. The Annual Report is also available on the Company's website.

NSE Electronic Application Processing System (NEAPS), BSE Listing Centre: National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) have developed web based applications NEAPS and the Listing Centre for Corporates. Periodical compliances like financial results, shareholding Pattern and corporate governance report etc. are filed electronically on NEAPS / BSE Listing centre.

SEBI Complaints Redress System (SCORES): The shareholders complaints are also being processed through the centralized web based complaint redressal system. The salient features of SCORES are availability of centralised data base of the complaints, uploading online action taken reports by the Company. Through SCORES the investors can view online, the action taken and current status of the complaints.

Disclosures

Related Party Transactions

During the FY 19-20, 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.

The Company has formulated a Policy on Related Party Transaction for providing guidelines in relation to identification of related parties, materiality of Related Party Transaction(s) and on dealing with transactions with Related Party. The said Policy is available on the website at <https://www.hdfcfund.com/about-us/governance/codes-policies>

Non-Compliance/penalties/strictures imposed

No penalties or strictures were imposed on the Company by the stock exchange or SEBI, or any statutory authority on any matter related to the capital markets during the last three years.

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/EFD-2/SD/337/April/2020 dated April 16, 2020 in this regard whereby the enforcement action and enforcement proceedings had been disposed off against the Company, Officials of the Company and Trustee Company.

Additionally, pursuant to inspection of HDFC Mutual Fund conducted by SEBI for the period April 1, 2014 to March 31, 2016, SEBI issued letters dated May 31, 2018 to Company and Trustee Company informing about initiation of quasi judicial proceedings against them in respect of certain alleged violations under MF Regulations and circulars and / or guidelines issued thereunder. The Company and Trustee Company filed settlement applications with SEBI under SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 for settling any adjudication proceedings which may arise out of the inspection, without admission or denial of guilt. SEBI issued settlement orders nos. PM/RR/13/2018-19 and PM/RR/14/2018-19, both dated December 4, 2018 in this regard stating that the quasi judicial proceedings had been disposed off.

Whistle Blower Policy/Vigil Mechanism

The Whistle Blower Policy has been formulated in accordance with Section 177 (9) of the Act read with Rule 7 of the Companies (Meetings of Board and its Powers), 2014 and Regulation 22 of the Listing Regulations.

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 his concerns or reporting grievances under the Whistle Blower Policy and/or vigil mechanism.

The said Policy is available on the website at <https://www.hdfcfund.com/about-us/governance/codes-policies>.

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. The Code was revised during the year in order to suitably incorporate the provisions of SEBI circular no. SEBI/HO/ISD/CIR/P/2019/82 dated July 19, 2019, SEBI (Prohibition of Insider Trading) (Second Amendment) Regulations, 2019 dated July 25, 2019, SEBI (Prohibition of Insider Trading) (Third Amendment) Regulations, 2019 dated September 17, 2019 and FAQ issued by SEBI on SEBI (Prohibition of Insider Trading) Regulations, 2015 dated November 04, 2019.

Pursuant to the above, the Company has put in place adequate and effective system of internal controls to ensure compliance with the requirements of the Prohibition of Insider Trading Regulations.

Compliance with Mandatory and adoption of Non-Mandatory Requirements

The 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 regulation 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 the Company has complied with the mandatory requirements as stipulated under the Listing Regulations. The certificate forms part of this Report.

The Company has obtained a certificate from M/s. Bhandari & Associates, Practicing Company Secretaries, confirming that none of the Directors on the Board of the Company 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 statutory authority.

The Company has fulfilled the following non-mandatory requirements as prescribed in Part E of Schedule II Regulation 27(1) of Listing Regulations.

Separate Posts

The Company has separate persons to the post of Chairperson and Managing Director.

Modified opinion(s) in audit report

The Company's financial statements have unmodified audit opinions.

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, the Company has formulated Policy for Determining Material Subsidiary which is available on its website at <https://www.hdfcfund.com/about-us/governancecodes-policies>.

The Company does not have any subsidiary as on date.

Commodity price risk or foreign exchange risk and hedging activities

As such, the Company is not exposed to any commodity price risk, and hence the disclosure under Clause 9(n) of Part C of Schedule V 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 and all entities in the network firm/network entity of which the statutory auditor is a part, for all services taken by the Company during the financial year are as under:

Name of Entity - BSR & Co LLP	₹ (in Crore) Amount (₹)
Audit Fees	0.21
Tax audit fee	0.03
Taxation Matters	0.22
Reimbursement of Expenses	0.01
Other Services	0.16
Total	0.63

Notes:

- 1) The above amounts include amounts 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

The Company has zero tolerance for sexual harassment at workplace. The Company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment Act, 2013.

During the year, the Internal Committee did not receive any complaints pertaining to Sexual Harassment.

Code of Conduct:

The 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 the FY 19-20.

The declaration to this effect signed by Mr. Milind Barve, Managing Director forms part of this Report.

MD/CFO Certification

Necessary certification has been issued by Mr. Milind Barve, Managing Director and Mr. Piyush Surana, 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 had opened Demat suspense account pursuant to the initial public offering. There are no equity shares lying in Demat suspense account/ unclaimed suspense account since the beginning of FY 19-20.

General Shareholder's Information

21st Annual General Meeting

Day/Date	:	Thursday, July 23, 2020
Time	:	2:30 p.m. (IST)
Venue	:	Rama & Sundri Watumull Auditorium, K. C. College, Dinshaw Wacha Road, Churchgate, Mumbai - 400020, Mumbai - 400020, subject to receipt of permissions from relevant authorities and through Video Conferencing/ Other Audio Visual Means
Financial Year	:	April 01 to March 31
Book Closure Dates	:	July 11, 2020 to July 23, 2020 (both days inclusive)

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/governance/codes-policies>

Dividend Payment Date:

The Board of Directors at its meeting held on May 09, 2020 has recommended dividend of ₹ 28/- [Rupees Twenty Eight only] per equity share of ₹ 5/- each for the financial year 2019-20, subject to approval by shareholders. The dividend payment date shall be July 24, 2020 onwards.

Unclaimed Dividend

The details of unclaimed dividends as on March 31, 2020 and the last date for claiming the same from the Company, prior to transfer to Investor Education and Protection Fund (IEPF) are as under:

FINANCIAL YEAR	Unclaimed dividend as on March 31, 2020 (₹)	Date of payment	Last date to claim from the Company prior to transfer to IEPF
Interim dividend 2018-19	10,57,212	March 12, 2019	March 29, 2026
Final dividend 2018-19	8,69,484	July 17, 2019	August 18, 2026

E-voting Period

Starts: Sunday, July 19, 2020 at 10.00 a.m.

Ends: Wednesday, July 22, 2020 at 5.00 p.m.

Cut-off date for e-voting: Thursday, July 16, 2020. Shareholders holding shares as on cut-off date shall be eligible to vote.

Listing Details

NAME OF STOCK EXCHANGE	Stock Code
BSE Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.	541729
National Stock Exchange of India Limited (NSE) Exchange Plaza, Plot No. C-1, Block G, Bandra Kurla Complex, 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

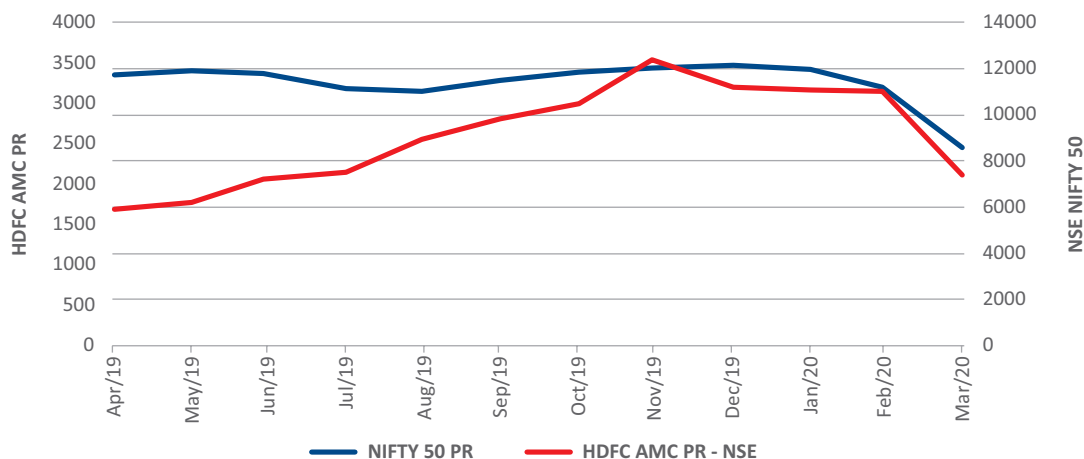
The monthly high and low prices and volume of the shares traded on BSE and NSE for the financial year ended March 31, 2020 are as under:

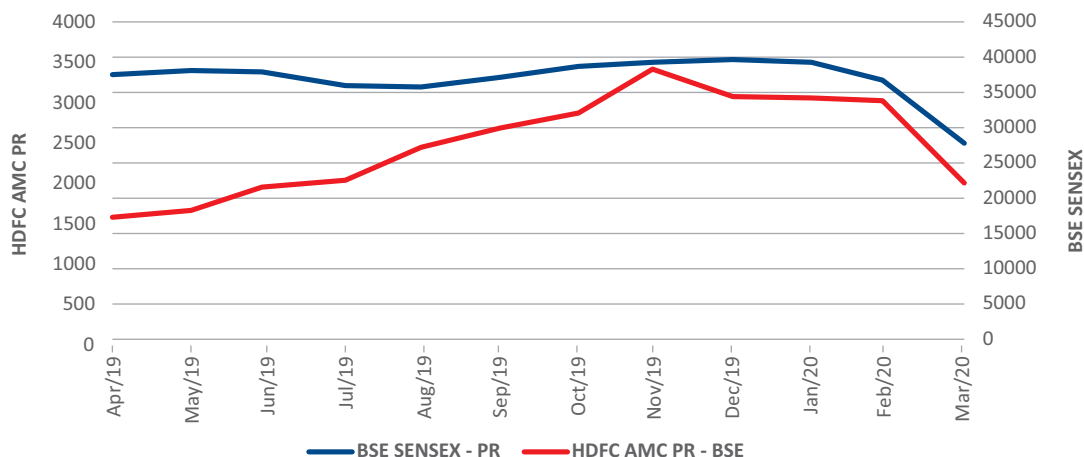
MONTHS	BSE			NSE		
	High (₹)	Low (₹)	No of Shares Traded	High (₹)	Low (₹)	No of Shares Traded
April 2019	1735	1510	340989	1738	1502.65	2319045
May 2019	1776.05	1549.95	484519	1780	1551	2743667
June 2019	2071.15	1754.95	651229	2070	1760.6	5291771
July 2019	2369.5	1888	1061348	2370	1886	11433592
August 2019	2591.55	2046	812691	2593.9	2045.4	8127565
September 2019	2975	2552	690676	2975	2550	8142097
October 2019	3140	2637	1623027	3139	2635.6	7744590
November 2019	3844	2893.4	1543943	3844	2892.3	25297415
December 2019	3550.75	2834	1426998	3549	2834	22444668
January 2020	3285	3009.35	504046	3285	3002.25	7871247
February 2020	3448.45	2992	590697	3446.6	2992.5	7523647
March 2020	3222.65	1963.6	913958	3220	1962	12150914

Source: BSE and NSE Website

Stock Performance in comparison to broad-based indices

The Chart below shows the comparison of the Company's share price movement on NSE and BSE vis-à-vis the movement of the NSE Nifty and BSE Sensex respectively, for the financial year ended March 31, 2020 (based on month end closing):





Sources: BSE and NSE Website

The Equity Shares of the Company were not suspended from trading as on March 31, 2020.

Registrar and Transfer Agent (RTA):

KFin Technologies Private Limited
(Formerly known as Karvy Fintech Private Limited)
 Selenium Tower B, Plot 31-32,
 Gachibowli, Financial District,
 Nanakramguda, Serilingampally,
 Hyderabad – 500 032, Telangana.
 Website: www.kfintech.com
 E-mail: einward.ris@kfintech.com
 Tel. No.: +91 40 67161512, 67162222
 Fax. No.: +91 40 23431551
 Toll Free No.: 1800-345-4001

For any assistance regarding dematerialization of shares, transmissions, transpositions, 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.

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

Company’s share transfer and related operations is operated through its Registrar and Share Transfer Agent (RTA) – KFin Technologies Private Limited.

In terms of the Listing Regulations, effective from April 1, 2019, securities of listed companies can only be transferred in dematerialised form except where the claim is lodged for transmission or transposition of shares or where the transfer deed(s) was lodged prior April 1, 2019 and returned due to deficiency in the document. Shareholders are advised to dematerialise their shares held by them in physical form. Shares held in dematerialised form are electronically traded through the Depositories. The Registrar & Share Transfer Agent of the Company periodically receive updated beneficiary holdings from the Depositories so as to enable them to update their records and send corporate communications, dividend warrants and other documents to beneficiaries.

Category wise Shareholding pattern as on March 31, 2020

CATEGORY OF SHAREHOLDERS	Number of Shares	% of Total Shares
Promoter	169408135	79.61
Individuals (includes HUFs)	18948971	8.90
FII/ QFIs/ FPIs	17024790	8.00
Mutual Funds	1676746	0.67
Financial Institutions/ Banks	790441	0.37
Bodies corporate	1485711	0.70
NRIs/ Foreign Nationals	591333	0.28
Directors & their Relatives	1538636	0.72
Clearing Members	325460	0.15
Alternative Investment Funds	519406	0.24
Qualified Institutional Buyer	481588	0.23
NBFC	1949	0.00
Trusts	10159	0.00
Total	212803325	100

Distribution of Shareholding as on March 31, 2020

Sr. No	Category (Shares)	No. of Holders	% To Holders	No. of Shares	% To Equity
1	1 - 5000	427314	99.86	14028502	6.59
2	5001 - 10000	183	0.04	1318764	0.62
3	10001 - 20000	151	0.04	2218587	1.04
4	20001 - 30000	67	0.02	1629753	0.77
5	30001 - 40000	37	0.01	1293023	0.61
6	40001 - 50000	25	0.01	1142229	0.54
7	50001 - 100000	75	0.02	5198802	2.44
8	100001 and above	69	0.02	185973665	87.39
	Total	427921	100	212803325	100

Dematerialization of Shares and Liquidity as on March 31, 2020

PARTICULARS OF EQUITY HOLDING	Equity Shares of ₹ 5/- each	
	Number	% of Total
Dematerialised form		
NSDL	207621848	97.57
CDSL	5181434	2.43
Sub – total	212803282	100
Physical form	43	0.00
Total	212803325	100

Outstanding GDRs / ADRs/ Warrants or any convertible instruments

There are no outstanding GDRs / ADRs / Warrants or any convertible instruments as on March 31, 2020

Plant Locations –

The Company is engaged in the business of financial services and does not operate plants. However, we serve our customers and distribution partners in over 200 cities through our network of 221 Investor Service Centres.

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

Email : 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 mobilization of funds, whether in India or abroad. – **Not Applicable**

Declaration by the Chief Executive Officer (MD)

[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, Milind Barve, Managing Director of HDFC Asset Management Company Limited, hereby declare 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.

Milind Barve
Managing Director
Place: Mumbai
Date: May 9, 2020

MD / CFO Certificate

The Board of Directors
HDFC Asset Management Company Limited

Sub: Regulation 17(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir(s)/ Madam(s),

This is to confirm and certify that –

1. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2020 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.

Piyush Surana
Chief Financial Officer
Place: Mumbai
Date: May 9, 2020

Milind Barve
Managing Director

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, 2020** 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. The Company has appointed an Independent Woman Director on its Board with effect from April 27, 2019.

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

S. N. Bhandari
Partner
FCS No: 761; C P No. : 366
Mumbai | May 09, 2020
UDIN: F000761B000226151

FINANCIAL STATEMENTS

Independent Auditor's Report

To the Members of
HDFC Asset Management Company Limited

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of HDFC Asset Management Company Limited (the 'Company'), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of the 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 financial statements give the information required by the Companies Act, 2013 (the 'Act') in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 as amended ('Ind AS'), and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and its profit and other comprehensive income, the 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 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 these 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 financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters:

Key Audit Matter	How the matter was addressed in our audit
<p>Revenue Recognition: Investment Management Fee</p> <p>Refer to the accounting policies in the Financial Statements: Significant accounting policies - Note 3.5 Revenue Recognition and Note 20 to the financial statements: "Asset Management Services"</p> <p>Investment Management Fee is the most significant account balance in the Statement of Profit and Loss.</p> <p>Key aspects relating to timing and recognition of revenue in respect of management fee are set out below:</p> <ul style="list-style-type: none"> The calculation of investment management fees, is based on a percentage of the assets under management ('AUM') of the funds managed by the Company, in accordance with guidelines prescribed under SEBI (Mutual Fund) Regulations, 1996 as amended from time to time Investment management fee is accrued based on a five step model as set out in Ind AS 115 "Revenue from Contract with Customers" 	<p>Our audit procedures included:</p> <p>Design / controls</p> <ul style="list-style-type: none"> Understood and evaluated the design and implementation of key controls and system generated reports relating to recognition of investment management fee; Test checked management review controls over recognition of investment management fee. <p>Substantive tests</p> <ul style="list-style-type: none"> Evaluated the appropriateness of recognition of revenue in respect of investment management fee income based on the requirements of Ind AS 115; Obtained and tested arithmetical accuracy of investment management fee calculations and then reconciled investment management fee to amounts included in financial statements;

Key Audit Matter	How the matter was addressed in our audit
<ul style="list-style-type: none"> The contracts include a single performance obligation that is satisfied over time and the investment management fee earned is considered as variable consideration that is included in the transaction price to the extent that no significant revenue reversal is expected to occur. 	<ul style="list-style-type: none"> Test checked that investment management fee rates were approved by authorised personnel; 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; Test checked investment management fee invoices and reconciled with the accounting records; Evaluated the adequacy of disclosures relating to the investment management fee earned by the Company.

Transition to Ind AS 116 - Lease arrangements

Refer to the accounting policies in the Financial Statements: Significant accounting policies – Note 3.9 and Note 30 to the financial statements: “Leases”

Adoption of new accounting standard (Ind AS 116 - Leases)

Effective April 01, 2019, the Company adopted Ind AS 116 using the modified retrospective approach. Therefore, the impact on adoption of the new standard is recognised as an adjustment to the opening balance of retained earnings as at April 01, 2019 with no restatement of comparative information.

The following are the key areas for consideration for the Company upon transition:

- Selection and application of transition options and practical expedients
- Computation of right-of-use asset and lease liability
- Determination of incremental borrowing rate
- Additional disclosures as per the requirements of Ind AS 116

Transition to the new standard is an intricate process involving multiple decision points for management in terms of selection of transition options, incremental borrowing rate and practical expedients.

We identified the transition date accounting as per Ind AS 116 as key audit matter because of the degree of management judgment in the first-time application of Ind AS principles as at the transition date particularly in the areas noted above and the additional disclosures associated with transition to this standard.

Our key audit procedures included:

Design / controls

- Understood management’s process and the controls implemented to ensure the completeness and accuracy of the transition adjustments
- Assessed the design, implementation and operating effectiveness of key internal financial controls over management’s evaluation of adoption of Ind AS 116;

Substantive tests

- Evaluated the appropriateness of the selection of accounting policies based on the requirements of Ind AS 116, our business understanding and industry practice;
- Considered the appropriateness of the transition approach and practical expedients applied;
- Considered whether management judgements relating to transition gave rise to any indicators of management bias;
- Evaluated management’s process for identifying lease contracts to be assessed based on the selected transition approach and any practical expedients applied;
- Evaluated the reasonableness of management’s key judgements and estimates made in preparing the transition adjustments;
- Evaluated the completeness, accuracy and relevance of data used in preparing the transition adjustments;
- Re-performed management’s calculation on remeasurement of lease liabilities
- Evaluated the completeness, accuracy and relevance of the transition disclosures.

Valuation of Investments – Secured Non Convertible Debentures at March 31, 2020

Refer to the accounting policies in the Financial Statements: Significant accounting policies - Note 3.2 and Note 37 to the financial statements: “Financial Instruments”

Subjective estimate

During the year, the Company invested into certain secured Non-convertible Debentures (NCDs) of a corporate entity, under liquidity arrangements with certain Fixed Maturity Plan (FMPs) of the Mutual Fund, at the prevailing valuation yields / prices provided by independent rating agencies on the date of transactions. Such securities were subsequently downgraded and rated below investment grade and became unrated in October 2019.

Our key audit procedures included:

Design / controls

- Understood management’s process and the controls implemented to ensure the accuracy of the valuation of investments
- Test checked the design, implementation and operating effectiveness of management’s key internal controls over the valuation process and inputs;

Key Audit Matter	How the matter was addressed in our audit
<p>These NCDs were purchased at original terms of those instruments modified with certain compensation based on negotiation with issuer's group.</p> <p>The effect of fair value adjustments will impact the financial results for the year.</p> <p>The valuation of investments measured at fair value entails use of significant management estimates and unobservable inputs.</p> <p>We identified determination of fair value of investments in secured NCDs as a key audit matter because of the degree of subjectivity and judgement exercised by management in determining the inputs used in the valuation techniques and methodologies</p>	<p>Substantive tests</p> <ul style="list-style-type: none"> • Read the investment agreements, to understand the relevant investment terms and identify any conditions that were relevant to the classification and valuation of investments; • Assessed the appropriateness of the valuation methodology and test key inputs used such as pricing inputs and discount factors; • We engaged our valuation specialists to test the calculations of fair value and reasonableness of assumptions used; • Checked that valuation methodology was consistently followed and evaluated any change in valuation technique; • Assessed whether the disclosures appropriately reflected the Company's exposure to investment valuation risk with reference to the requirements of the prevailing accounting standards; • Evaluated the reasonableness of inputs i.e. market observable / unobservable data to determine fair value of investments and checked the appropriateness of disclosures in accordance with Ind AS 107 on 'Financial Instruments: Disclosures'.

Information other than the financial statements and auditors' report thereon

The Company's Management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's Director's report, but does not include the financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Management's and Board of Directors' responsibility for the 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 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 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 judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 in the financial statements 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 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 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 financial statements, including the disclosures, and whether the 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 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

As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government 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.

(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 Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report are in agreement with the books of account;
- d) In our opinion, the aforesaid 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, 2020 and taken on record by the Board of Directors, none of the Directors are disqualified as on March

31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act and

- 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:
- i. The Company has disclosed the impact of pending litigations as at March 31, 2020 on its financial position in its financial statements – refer note 32 to the financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company and
 - iv. The disclosures in the financial statements regarding holdings as well as dealings in

specified bank notes during the period from November 8, 2016 to December 30, 2016 have not been made in these financial statements since they do not pertain to the financial year ended March 31, 2020.

- (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 **BSR & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Akeel Master

Partner

Membership No: 046768

UDIN: 20046768AAAAHQ1835

Mumbai

May 09, 2020

Annexure A to the Independent Auditor's Report

March 31, 2020 (Referred to in our report of even date)

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
- (b) The Company has a regular programme of physical verification of its property, plant and equipment by which all the property, plant and equipment are verified annually. 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 material discrepancies were noticed on such verification.
- (c) The title deeds of immovable properties recorded as property, plant and equipment in the books of account of the Company are held in the name of the Company.
- ii. The Company is a service company primarily rendering investment management services, portfolio management services and investment advisory services. Accordingly, it does not hold any inventories. Thus, paragraph 3 (ii) of the Order is not applicable to the Company.
- iii. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Thus, paragraph 3 (iii) of the Order are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, the Company has not advanced any loan, given any guarantee or provided any security in connection with loan to any of its Directors or to any person in whom the Director is interested. The Company has complied with the provisions of Section 186 of the Act, with respect to the investments made.
- v. In our opinion and according to the information and explanations given to us, the Company has not accepted deposits as per the directives issued by Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and Rules framed there under. Thus, paragraph 3 (v) of the Order is not applicable to the Company.
- vi. The Central Government has not prescribed the maintenance of cost records, under Section 148 (1) of the Act, for any of the services rendered by the Company. Thus, paragraph 3 (vi) of the Order is not applicable to the Company.
- vii. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, income tax, goods and services tax, cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of sales tax, wealth tax, employees' state insurance, duty of customs, duty of excise and value added tax. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, goods and services tax, cess and other material statutory dues were in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of provident fund, goods and services tax, cess and other material statutory dues which have not been deposited by the Company on account of disputes. The dues outstanding on account of 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	27,05,330	A.Y. 2008-2009	High Court of Bombay
Income Tax Act, 1961	Income Tax	8,69,199	A.Y. 2009-2010	Commissioner of Income Tax Appeal
Income Tax Act, 1961	Income Tax	7,41,820	A.Y. 2010-2011	Deputy Commissioner of Income Tax
Income Tax Act, 1961	Income Tax	11,68,520	A.Y. 2011-2012	Deputy Commissioner of Income Tax
Income Tax Act, 1961	Income Tax	13,24,140	A.Y. 2012-2013	Deputy Commissioner of Income Tax
Income Tax Act, 1961	Income Tax	1,51,69,450	A.Y. 2012-2013	Commissioner of Income Tax Appeal
Income Tax Act, 1961	Income Tax	11,47,110	A.Y. 2013-2014	Deputy Commissioner of Income Tax
Income Tax Act, 1961	Income Tax	1,70,87,201	A.Y. 2013-2014	Commissioner of Income Tax Appeal
Income Tax Act, 1961	Income Tax	25,18,814	A.Y. 2014-2015	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	12,67,737	A.Y. 2016-2017	Commissioner of Income Tax Appeal
Income Tax Act, 1961	Income Tax	1,10,37,951	A.Y. 2017-2018	Commissioner of Income Tax Appeal

- viii. In our opinion and according to the information and explanations given to us, the Company has not taken any loan or borrowing from financial institution, bank, government or debenture holders. Thus, paragraph 3 (viii) of the Order is not applicable to the Company.
- ix. In our opinion and according to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer (including debt instrument) or term loans during the year. Thus, paragraph 3 (ix) of the Order is not applicable to the Company.
- x. According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- xi. According to the information and explanations given to us and based on our examination of the records, the Company has paid / provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company as per the Act. Thus, paragraph 3 (xii) of the Order is not applicable to the Company.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, all transactions entered into by the Company with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us and based on our examination of the records, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Thus, paragraph 3 (xiv) of the Order is not applicable to the Company.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with Directors or person connected with him. Thus, paragraph 3 (xv) of the Order is not applicable to the Company.
- xvi. According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Thus, paragraph 3 (xvi) of the Order is not applicable to the Company.

For **BSR & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Akeel Master
Partner

Mumbai
May 09, 2020

Membership No: 046768
UDIN: 20046768AAAAHQ1835

Annexure B to the Independent Auditor's Report

March 31, 2020 (Referred to in our report of even date)

Report on the Internal Financial Controls with reference to the financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

(Referred to in paragraph (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, 2020 in conjunction with our audit of the 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, 2020, 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 responsibility for internal financial controls

The Company's management and 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 whether 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 such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal financial control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of internal financial controls with reference to financial statements

The company's internal financial controls with reference to financial statements is a process designed to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only

in accordance with authorizations of management and Directors of the company and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent limitations of internal financial controls 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 **BSR & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Akeel Master

Partner

Mumbai

May 09, 2020

Membership No: 046768

UDIN: 20046768AAAAHQ1835

Balance Sheet

as at March 31, 2020

₹ (in Crore)

PARTICULARS	Note No.	As at March 31, 2020	As at March 31, 2019
Assets			
I Financial Assets			
a Cash and Cash Equivalents	4	26.64	0.90
b Bank Balance other than (a) above	5	0.46	31.09
c Receivables			
(i) Trade Receivables	6	60.59	82.66
(ii) Other Receivables	7	3.99	20.20
d Investments	8	3,944.51	2,934.96
e Other Financial Assets	9	29.95	27.98
Sub-total - Financial Assets		4,066.14	3,097.79
II Non Financial Assets			
a Current Tax Assets (net)		32.37	35.16
b Deferred Tax Assets (net)	10	21.67	-
c Property, Plant and Equipment	11	141.39	25.63
d Intangible Assets Under Development		4.60	3.17
e Goodwill	11	6.04	6.04
f Other Intangible Assets	11	9.28	8.03
g Other Non-Financial Assets	12	27.11	47.93
Sub-total - Non Financial Assets		242.46	125.96
Total Assets		4,308.60	3,223.75
Liabilities And Equity			
Liabilities			
I Financial Liabilities			
A Payables			
Trade Payables			
(i) Total Outstanding Dues of Micro Enterprises and Small Enterprises	13	-	-
(ii) Total Outstanding Dues of Creditors Other than Micro Enterprises and Small Enterprises	13	46.73	47.36
B Other Financial Liabilities	14	178.37	65.69
Sub-total - Financial Liabilities		225.10	113.05
II Non Financial Liabilities			
a Current Tax Liabilities (net)		3.94	1.77
b Provisions	15	7.25	1.01
c Deferred Tax Liabilities (net)	16	-	2.84
d Other Non Financial Liabilities	17	43.05	34.36
Sub-total - Non Financial Liabilities		54.24	39.98
Total Liabilities		279.34	153.03
III Equity			
a Equity Share Capital	18	106.40	106.29
b Other Equity	19	3,922.86	2,964.43
Sub-total - Equity		4,029.26	3,070.72
Total Liabilities And Equity		4,308.60	3,223.75

See summary of significant accounting policies and accompanying notes which form an integral part of the 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

Akeel Master
Partner
Membership No. 046768

Mumbai, May 09, 2020

For and on behalf of the Board of Directors

Deepak S. Parekh
Chairman
(DIN: 00009078)

Piyush Surana
Chief Financial Officer

Milind Barve
Managing Director
(DIN: 00087839)

Sylvia Furtado
Company Secretary
(ACS: 17976)

Statement of Profit and Loss

for the year ended March 31, 2020

PARTICULARS	Note No.	₹ (in Crore except per equity share data)	
		For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue from Operations			
Asset Management Services	20	2,003.25	1,915.18
Other Income	21	140.18	181.60
Total Income		2,143.43	2,096.78
Expenses			
Finance Costs	30	8.98	-
Fees and Commission Expenses		20.89	240.26
Impairment on Financial Instruments	22	-	40.00
Employee Benefits Expenses	23	214.71	206.27
Depreciation, Amortisation and Impairment	11	50.37	12.85
Other Expenses	24	195.43	222.70
Total Expenses		490.38	722.08
Profit Before Tax		1,653.05	1,374.70
Tax Expense			
Current Tax		410.52	445.47
Deferred Tax Charge / (Credit)		(19.88)	(1.37)
Profit After Tax		1,262.41	930.60
Other Comprehensive Income			
(i) Items that will not be reclassified to profit or loss			
- Remeasurement gain / (loss) of the defined benefit plans		(4.11)	(0.62)
(ii) Income tax relating to items that will not be reclassified to profit or loss			
- Tax on Remeasurement of the defined benefit plans		1.03	0.22
Total Other Comprehensive Income		(3.08)	(0.40)
Total Comprehensive Income		1,259.33	930.20
Earnings Per Equity Share (Face Value ₹ 5) (see note 29)			
- Basic		59.37	43.87
- Diluted		59.24	43.78

See summary of significant accounting policies and accompanying notes which form an integral part of the 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

Akeel Master
Partner
Membership No. 046768

Mumbai, May 09, 2020

For and on behalf of the Board of Directors

Deepak S. Parekh
Chairman
(DIN: 00009078)

Piyush Surana
Chief Financial Officer

Milind Barve
Managing Director
(DIN: 00087839)

Sylvia Furtado
Company Secretary
(ACS: 17976)

Statement of Changes in Equity

for the year ended March 31, 2020

A. Equity Share Capital

PARTICULARS	₹ (in Crore)		
	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, 2019: ₹ 5 each), fully paid up			
As at March 31, 2019	105.28	1.01	106.29
As at March 31, 2020	106.29	0.11	106.40

B. Other Equity

PARTICULARS	₹ (in Crore)							
	Share Application Money - Pending allotment	Reserves and Surplus				Share Options Outstanding Account	Retained Earnings	Total
		Capital Redemption Reserve	Securities Premium	General Reserve				
Opening balance as at April 01, 2018	-	52.41	343.94	174.97	9.64	1,567.67	2,148.63	
Profit for the year	-	-	-	-	-	930.60	930.60	
Other Comprehensive Income - Remeasurement gain / (loss) of the defined benefit plans (net of tax)	-	-	-	-	-	(0.40)	(0.40)	
Total Comprehensive Income for the year	-	-	-	-	-	930.20	930.20	
Interim Equity Dividend Paid	-	-	-	-	-	(255.09)	(255.09)	
Tax Paid on Interim Equity Dividend	-	-	-	-	-	(52.43)	(52.43)	
Transfer from Share Options Outstanding Account to Securities Premium (towards options exercised)	-	-	5.62	-	(5.62)	-	-	
Transfer from Share Options Outstanding Account to Retained Earnings (towards options lapsed after vesting)	-	-	-	-	(0.02)	0.02	-	
Additions during the year	188.88	-	187.74	-	5.25	-	381.87	
Utilised during the year	(188.75)	-	-	-	-	-	(188.75)	
Changes during the year	0.13	-	193.36	-	(0.39)	622.70	815.80	
Closing balance as at March 31, 2019	0.13	52.41	537.30	174.97	9.25	2,190.37	2,964.43	
Opening balance as at April 01, 2019	0.13	52.41	537.30	174.97	9.25	2,190.37	2,964.43	
Adjustment on initial application of Ind AS 116 (net of tax)	-	-	-	-	-	(8.63)	(8.63)	
Profit for the year	-	-	-	-	-	1,262.41	1,262.41	
Other Comprehensive Income - Remeasurement gain / (loss) of the defined benefit plans (net of tax)	-	-	-	-	-	(3.08)	(3.08)	
Total Comprehensive Income for the year	-	-	-	-	-	1,259.33	1,259.33	
Final Equity Dividend Paid	-	-	-	-	-	(255.11)	(255.11)	
Tax Paid on Final Equity Dividend	-	-	-	-	-	(52.44)	(52.44)	
Transfer from Share Options Outstanding Account to Securities Premium (towards options exercised)	-	-	2.33	-	(2.33)	-	-	
Additions during the year	15.40	-	15.41	-	-	-	30.81	
Utilised during the year	(15.53)	-	-	-	-	-	(15.53)	
Changes during the year	(0.13)	-	17.74	-	(2.33)	951.78	967.06	
Closing balance as at March 31, 2020	0.00	52.41	555.04	174.97	6.92	3,133.52	3,922.86	

See summary of significant accounting policies and accompanying notes which form an integral part of the 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

Akeel Master
Partner
Membership No. 046768

Mumbai, May 09, 2020

For and on behalf of the Board of Directors

Deepak S. Parekh
Chairman
(DIN: 00009078)

Piyush Surana
Chief Financial Officer

Milind Barve
Managing Director
(DIN: 00087839)

Sylvia Furtado
Company Secretary
(ACS: 17976)

Statement of Cash Flows

for the year ended March 31, 2020

₹ (in Crore)

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
A. Cash Flow from Operating Activities		
Profit Before Tax*	1,653.05	1,374.70
Add / (Less) : Adjustments for		
Depreciation, Amortisation and Impairment	50.37	12.85
Finance Costs	8.98	-
Share Based Payments to Employees	-	5.25
(Profit) / Loss on Sale of Investments (net)	(18.49)	(1.09)
Fair Value (Gain) / Loss on Investments	21.88	(60.14)
Net (Gain) / Loss on foreign currency transactions and translations	(0.02)	(0.01)
(Profit) / Loss on Derecognition of Property, Plant and Equipment and Other Intangible Assets (net)	(0.05)	0.20
Impairment on Financial Instruments	-	40.00
Investment Income from Financial Instruments	(119.08)	(95.77)
Other Interest Income	(1.72)	(1.10)
Operating Profit before working capital changes	1,594.92	1,274.89
Adjustments for:		
(Increase) / Decrease in Trade Receivables	22.08	7.62
(Increase) / Decrease in Other Receivables	16.21	(7.49)
(Increase) / Decrease in Other Financial Assets	32.90	(36.66)
(Increase) / Decrease in Other Non Financial Assets	18.40	168.51
Increase / (Decrease) in Trade Payable	(0.77)	(64.22)
Increase / (Decrease) in Other Financial Liabilities	(5.19)	(0.96)
Increase / (Decrease) in Provisions	6.24	0.12
Increase / (Decrease) in Other Non Financial Liabilities	4.58	2.20
Cash generated from / (used in) operations	1,689.37	1,344.01
Income Tax Paid	(404.53)	(449.87)
Net cash from / (used in) operating activities (A)	1,284.84	894.14
B. Cash Flow from Investing Activities		
Purchase of Property, Plant and Equipment and Other Intangible Assets	(29.83)	(17.54)
Proceeds from Sale of Property, Plant and Equipment and Other Intangible Assets	0.06	0.04
Purchase of Investments	(6,057.29)	(3,439.55)
Proceeds from Sale of Investments	5,110.24	2,636.55
Dividend Received	4.10	6.83
Interest Received / (Paid)	45.18	37.12
Net cash from / (used in) investing activities (B)	(927.54)	(776.55)

Statement of Cash Flows

for the year ended March 31, 2020

₹ (in Crore)

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
C. Cash Flow from Financing Activities		
Proceeds from Issuance of Share Capital	15.53	188.75
Share Application Money - Pending allotment	(0.13)	0.13
Principal Element of Lease Payments	(30.43)	-
Interest Element of Lease Payments	(8.98)	-
Interim Equity Dividend Paid	-	(255.09)
Tax Paid on Interim Equity Dividend	-	(52.43)
Final Equity Dividend Paid	(255.11)	-
Tax Paid on Final Equity Dividend	(52.44)	-
Net cash from / (used in) financing activities (C)	(331.56)	(118.64)
Net Increase / (Decrease) in Cash and Cash Equivalents (A + B + C)	25.74	(1.05)
Cash and Cash Equivalents at the beginning of the year	0.90	1.95
Cash and Cash Equivalents at the end of the year	26.64	0.90
	25.74	(1.05)
Cash and cash equivalents comprising of:		
Balance with banks	26.64	0.90
Effect of exchange rate difference on balances with banks in foreign currency	0.00	(0.00)
Total	26.64	0.90
*Amount spent towards Corporate Social Responsibility expense as per Section 135(5) of the Companies Act, 2013 (see note 34)	20.90	16.98

Note: The above 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 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

Akeel Master
Partner
Membership No. 046768

Mumbai, May 09, 2020

For and on behalf of the Board of Directors

Deepak S. Parekh
Chairman
(DIN: 00009078)

Piyush Surana
Chief Financial Officer

Milind Barve
Managing Director
(DIN: 00087839)

Sylvia Furtado
Company Secretary
(ACS: 17976)

Notes to Financial Statements

for the year ended March 31, 2020

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 3, 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.

As at March 31, 2020, Housing Development Finance Corporation Limited, the holding company owned 52.72% of the Company's equity share capital.

During the previous year, the Company had completed its Initial Public Offering (IPO) through an offer for sale of equity shares. The equity shares of the Company were listed on National Stock Exchange of India Limited and BSE Limited on August 06, 2018.

2. Basis of preparation and recent accounting developments

2.1 Basis of preparation

a) Statement of compliance

These financial statements have been prepared 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 financial statements were approved for issue by the Company's Board of Directors on May 09, 2020.

Details of the Company's accounting policies are included in Note 3.

b) Presentation of financial statements

The Company presents its 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 38.

c) Functional and presentation currency

Indian Rupee (₹) is the Company's functional currency and the currency of the primary economic environment in which the Company operates. Accordingly, the management has determined that financial statements are presented in Indian Rupees (₹). All amounts have been rounded-off to the nearest Crore upto two decimal places, unless otherwise indicated.

d) Basis of measurement

The 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 as on the grant date

e) Use of estimates and judgments

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue 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 each reporting date. Actual results could differ from these estimates and differences between actual results and estimates are recognized in the periods in which the results / actions are known or materialised.

Notes to Financial Statements

for the year ended March 31, 2020

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 in the year ended March 31, 2020 is included in the following notes:

- Note 11 – estimates of useful lives and residual value of Property, Plant and Equipment, and other intangible assets;
- Note 11 – impairment test of non-financial assets: key assumptions underlying recoverable amounts including the recoverability of expenditure on intangible assets;
- Note 25 – measurement of defined benefit obligations: key actuarial assumptions;
- Note 26 – Share based payments;
- Note 27 – recognition of deferred tax assets;
- Note 32 – recognition and measurement of provisions and contingencies; key assumptions about the likelihood and magnitude of an outflow of resources, if any
- Note 37 – Financial instruments – Fair values, risk management and impairment of financial assets;
- Note 40 – estimation uncertainty relating to the global health pandemic

f) 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 judgment and estimation in the determination of fair value. Judgment 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 categorized 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 categorized 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 26 - Share based payment
- Note 37 - Financial instruments – Fair values and risk management

Notes to Financial Statements

for the year ended March 31, 2020

2.2 Recent Accounting Developments:

Standards issued but not yet effective

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 01, 2020.

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

All financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

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.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified and 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 recognised 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.

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 and measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL, 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:

Notes to Financial Statements

for the year ended March 31, 2020

- 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.

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the Statement of Profit and Loss.
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 are recognised in the Statement of Profit and Loss. Any gain or loss on derecognition is recognised in the Statement of Profit and Loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the 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 profit or loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

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 Statement of Profit and Loss. Any gain or loss on derecognition is also recognised as profit or loss respectively.

(iii) Derecognition

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 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 Fair Value Through Profit and Loss. 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 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 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 balance sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Notes to Financial Statements

for the year ended March 31, 2020

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 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 Company's procedures for recovery of amounts due.

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.

(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
Improvement of Rented Premises	Not specified	Over the primary period of the lease term or 5 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 / upto the date on which asset is ready to use / disposed off.

(iv) Derecognition

The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognized in the 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. Such other

Notes to Financial Statements

for the year ended March 31, 2020

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 Statement of Profit and Loss as incurred.

(ii) Amortization

Amortization 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 amortization in the Statement of Profit and Loss. Computer Software is being amortised over a period of 3 years.

Amortization 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 recognized in the Statement of Profit and Loss.

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 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 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 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 recognize revenue and at what amount.

Revenue is measured based on the consideration specified in the contract with a customer. 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, the Company estimates the 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 Financial Statements

for the year ended March 31, 2020

Nature of services

The Company principally generates revenue by providing asset management services to HDFC Mutual fund and other clients.

Services	Nature, timing of satisfaction of performance obligations and significant payment terms
Investment Management Services	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 regulations. 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 and Advisory Services	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. The 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.

(ii) **Recognition of dividend income, interest income or expense, gains and losses from financial instruments**

Dividend income is recognised in the 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 carrying amount of the 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 amortized cost of the financial asset. 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 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

Notes to Financial Statements

for the year ended March 31, 2020

(AMFI) and had been presented under the respective expense heads in the Statement of Profit and Loss.

Any brokerage or commission paid by the Company in line with the applicable regulations is being amortised over the contractual period.

Pursuant to circulars issued by SEBI in this regard, with effect from October 22, 2018, all of these expenses, subject to certain minor exceptions, are being borne by the respective schemes.

New Fund Offer (NFO) expenses on the launch of schemes are borne by the Company and recognised in the Statement of Profit and Loss as and when incurred.

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 respective schemes. The grant date fair value 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 and non-market vesting 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 and non-market vesting conditions at the vesting date. Such

compensation cost, if any, is amortised over the vesting period.

(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 Statement of Profit and Loss in the periods during which the related services are rendered by employees.

(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

Notes to Financial Statements

for the year ended March 31, 2020

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 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 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 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 previously classified these leases as operating leases under Ind AS 17 – Leases if, a substantial portion of the risk and rewards of the ownership were retained by the lessor. Under Ind AS 116 – Leases, the Company recognises Right-of-Use (ROU) and lease liabilities for these leases i.e. these leases are on-balance sheet.

Notes to Financial Statements

for the year ended March 31, 2020

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.

ROU assets are measured at their carrying amount at the commencement date and are discounted using the Company's incremental borrowing rate at the date of initial application. 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 or 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.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the Statement of Profit and Loss if the carrying amount of the ROU asset has been reduced to nil.

Short-term leases and leases of low-value assets

The Company has elected not to recognise ROU and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense over the lease term.

As a lessor:

When the Company is the lessor, the lease are 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 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.

Notes to Financial Statements

for the year ended March 31, 2020

(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.

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 Trade receivables

Trade receivables are initially recognised at fair value. Subsequently, these assets are held at amortised cost, using the effective interest rate method (where the time value of money is significant) net of any expected credit losses.

3.14 Trade payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. Trade payables are

Notes to Financial Statements

for the year ended March 31, 2020

presented as financial liabilities. They are recognised initially at their fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method where the time value of money is significant.

3.15 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 Financial Statements

for the year ended March 31, 2020

Note 4 Cash and Cash Equivalents

PARTICULARS	₹ (in Crore)	
	As at March 31, 2020	As at March 31, 2019
Balances with Banks	26.64	0.90
Total	26.64	0.90

Note 5 Bank Balance other than Cash and Cash Equivalents

PARTICULARS	₹ (in Crore)	
	As at March 31, 2020	As at March 31, 2019
Other Bank Balances		
- Fixed Deposit with Bank (security against bank guarantee)	0.13	31.09
Earmarked Balances with Banks		
- Unclaimed Equity Dividend	0.19	-
- Withheld Brokerage	0.14	-
Total	0.46	31.09

Note 6 Trade Receivables* (Considered good - Unsecured)

PARTICULARS	₹ (in Crore)	
	As at March 31, 2020	As at March 31, 2019
Investment Management Fee Receivable	57.03	79.11
Portfolio Management Fee and Other Advisory Services Fee Receivable	3.56	3.55
Total	60.59	82.66

Note 7 Other Receivables * (Considered good - Unsecured)

PARTICULARS	₹ (in Crore)	
	As at March 31, 2020	As at March 31, 2019
Related Parties	-	15.17
Other than Related Parties	3.99	5.03
Total	3.99	20.20

* 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.

Notes to Financial Statements

for the year ended March 31, 2020

Note 8 Investments

SR. NO	PARTICULARS	As at March 31, 2020			As at March 31, 2019			Total
		Amortised Cost	At Fair Value Through Profit and Loss		Amortised Cost	At Fair Value Through Profit and Loss		
			(1)	(2)		(3=1+2)	(1)	
1	Mutual Funds	-	3,334.49	3,334.49	-	2,350.86	2,350.86	
2	Debt Securities	494.55	31.50	526.05	498.75	5.74	504.49	
3	Equity Instruments	-	0.36	0.36	-	0.26	0.26	
4	Preference Shares	70.00	-	70.00	70.00	-	70.00	
5	Alternative Investment Funds	-	42.41	42.41	-	28.03	28.03	
6	Venture Capital Fund	-	11.20	11.20	-	21.32	21.32	
	Total Gross Investments (A)	564.55	3,419.96	3,984.51	568.75	2,406.21	2,974.96	
7	(i) Investments outside India	-	-	-	-	-	-	
	(ii) Investments in India	564.55	3,419.96	3,984.51	568.75	2,406.21	2,974.96	
	Total (B)	564.55	3,419.96	3,984.51	568.75	2,406.21	2,974.96	
	Less: Allowance for Impairment (C)	40.00	-	40.00	40.00	-	40.00	
	Total Net Investments (D = A - C)	524.55	3,419.96	3,944.51	528.75	2,406.21	2,934.96	

₹ (in Crore)

Notes to Financial Statements

for the year ended March 31, 2020

Note 9 Other Financial Assets

PARTICULARS	₹ (in Crore)	
	As at March 31, 2020	As at March 31, 2019
Interest accrued on Fixed Deposits	-	0.44
Interest accrued on Investments	15.92	12.02
Security Deposits	14.03	15.52
Total	29.95	27.98

Note 10 Deferred Tax Assets (net) (see note 27)

PARTICULARS	₹ (in Crore)	
	As at March 31, 2020	As at March 31, 2019
Deferred Tax Asset	49.18	-
Deferred Tax Liability	(27.51)	-
Total	21.67	-

Notes to Financial Statements

for the year ended March 31, 2020

Note 11 Property, Plant and Equipment, Goodwill and other Intangible Assets

PARTICULARS	₹ (in Crore)									
	As at April 01, 2019			Gross Block As at March 31, 2020			Depreciation / Amortization As at March 31, 2020			Net Block As at March 31, 2020
	As at April 01, 2019	Additions	Deductions	As at March 31, 2020	As at April 01, 2019	For the year	Deductions	As at March 31, 2020	As at March 31, 2020	As at March 31, 2020
Property, Plant and Equipment										
Buildings	4.34	-	-	4.34	0.20	0.10	-	0.30	4.04	4.04
Furniture & Fixtures	2.22	0.47	0.21	2.48	0.92	0.70	0.21	1.41	1.07	1.07
Office Equipment	7.60	2.22	0.72	9.10	1.60	2.07	0.72	2.95	6.15	6.15
Computer Equipment	9.80	14.55	0.70	23.65	4.81	4.39	0.69	8.51	15.14	15.14
Electrical Installations	0.34	-	-	0.34	0.20	0.10	-	0.30	0.04	0.04
Improvement of Rented Premises	13.77	3.71	1.39	16.09	4.71	4.49	1.39	7.81	8.28	8.28
Right Of Use Asset	194.89	26.97	21.12	200.74	79.97	32.86	18.76	94.07	106.67	106.67
Total	232.96	47.92	24.14	256.74	92.41	44.71	21.77	115.35	141.39	141.39
Goodwill and Other Intangible Assets										
Goodwill	6.04	-	-	6.04	-	-	-	-	6.04	6.04
Computer Software	13.24	6.91	-	20.15	5.21	5.66	-	10.87	9.28	9.28
Total	19.28	6.91	-	26.19	5.21	5.66	-	10.87	15.32	15.32

PARTICULARS	₹ (in Crore)									
	As at April 01, 2018			Gross Block As at March 31, 2019			Depreciation / Amortization As at March 31, 2019			Net Block As at March 31, 2019
	As at April 01, 2018	Additions	Deductions	As at March 31, 2019	As at April 01, 2018	For the year	Deductions	As at March 31, 2019	As at March 31, 2019	As at March 31, 2019
Property, Plant and Equipment										
Buildings	4.34	-	-	4.34	0.10	0.10	-	0.20	4.14	4.14
Furniture & Fixtures	1.88	0.48	0.14	2.22	0.47	0.59	0.14	0.92	1.30	1.30
Office Equipment	4.80	3.54	0.74	7.60	0.62	1.72	0.74	1.60	6.00	6.00
Computer Equipment	7.60	2.77	0.57	9.80	2.24	3.12	0.55	4.81	4.99	4.99
Electrical Installations	0.34	-	-	0.34	0.10	0.10	-	0.20	0.14	0.14
Improvement of Rented Premises	8.28	6.12	0.63	13.77	1.83	3.51	0.63	4.71	9.06	9.06
Total	27.24	12.91	2.08	38.07	5.36	9.14	2.06	12.44	25.63	25.63
Goodwill and Other Intangible Assets										
Goodwill	6.04	-	-	6.04	-	-	-	-	6.04	6.04
Computer Software	4.66	8.95	0.37	13.24	1.65	3.71	0.15	5.21	8.03	8.03
Total	10.70	8.95	0.37	19.28	1.65	3.71	0.15	5.21	14.07	14.07

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 4.97% 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 Financial Statements

for the year ended March 31, 2020

Note 12 Other Non-Financial Assets (Considered good - Unsecured)

₹ (in Crore)

PARTICULARS	As at March 31, 2020	As at March 31, 2019
Capital Advances	0.58	0.04
Prepaid Expenses		
- Related Parties	1.84	1.45
- Others	16.20	38.16
	18.04	39.61
Service Tax / Goods & Services Tax Credit Receivable	8.11	7.81
Other Receivable - Others		
- Related Parties	0.04	0.03
- Others	0.34	0.44
	0.38	0.47
Total	27.11	47.93

Note 13 Trade Payables

₹ (in Crore)

PARTICULARS	As at March 31, 2020	As at March 31, 2019
Outstanding dues of Small Enterprises and Micro Enterprises	-	-
Outstanding dues of creditors other than Small Enterprises and Micro Enterprises	46.73	47.36
Total	46.73	47.36

Note 14 Other Financial Liabilities

₹ (in Crore)

PARTICULARS	As at March 31, 2020	As at March 31, 2019
Employee Benefits	52.43	61.14
Other Dues	8.07	4.55
Unclaimed Equity Dividend	0.19	-
Lease Liability	117.68	-
Total	178.37	65.69

Note 15 Provisions

₹ (in Crore)

PARTICULARS	As at March 31, 2020	As at March 31, 2019
Provision for Employee Benefits (Compensated absences & Leave encashment)	7.25	1.01
Total	7.25	1.01

Notes to Financial Statements

for the year ended March 31, 2020

Note 16 Deferred Tax Liabilities (net) (see note 27)

PARTICULARS	₹ (in Crore)	
	As at March 31, 2020	As at March 31, 2019
Deferred Tax Asset	-	(12.19)
Deferred Tax Liability	-	15.03
Total	-	2.84

Note 17 Other Non-Financial Liabilities

PARTICULARS	₹ (in Crore)	
	As at March 31, 2020	As at March 31, 2019
Statutory Dues	35.39	30.59
Employee Benefits	7.66	3.77
Total	43.05	34.36

Note 18 Share Capital

PARTICULARS	₹ (in Crore)	
	As at March 31, 2020	As at March 31, 2019
Authorised		
60,00,00,000 Equity Shares of ₹ 5 each (March 31, 2019: 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 (March 31, 2019: 5,00,00,000)	50.00	50.00
Total	350.00	350.00
Issued, Subscribed and Paid-up		
21,28,03,325 Equity Shares of ₹ 5 each (March 31, 2019: 21,25,73,210 Equity Shares of ₹ 5 each), fully paid up	106.40	106.29
Total	106.40	106.29

a) Movement in Equity Share Capital during the year:

PARTICULARS	₹ (in Crore)			
	March 31, 2020		March 31, 2019	
	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)	21,25,73,210	106.29	21,05,55,200	105.28
Add: Shares issued during the year (face value of ₹ 5 each)	2,30,115	0.11	20,18,010	1.01
Shares outstanding at the end of the year (face value of ₹ 5 each)	21,28,03,325	106.40	21,25,73,210	106.29

Notes to Financial Statements

for the year ended March 31, 2020

Private Placement:

In accordance with Sections 62(1)(c), 42 and 179 of the Companies Act, 2013 including the rules and regulations framed thereunder and pursuant to approval by the Board of Directors of the Company at its meeting held on April 17, 2018 and by the Shareholders of the Company at the Extraordinary General Meeting held on April 18, 2018, 14,33,600 equity shares of face value of ₹ 5 each were issued and allotted to applicants at a premium of ₹ 1,045 per share on a private placement basis.

Initial Public Offering

During the previous year, the Company had completed the initial public offering ('IPO') through an offer for sale of 2,54,57,555 equity shares (85,92,970 equity shares by Housing Development Finance Corporation Limited and 1,68,64,585 equity shares by Standard Life Investments Limited) of face value of ₹ 5 each at a price of ₹ 1,100 per equity share aggregating up to ₹ 2,800.33 Crore. The equity shares of the Company were listed on National Stock Exchange of India Limited ('NSE') and BSE Limited ('BSE') on August 06, 2018.

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 (Previous Year 11,21,79,830 equity shares of ₹ 5 each) are held by Housing Development Finance Corporation Limited (Holding Company) and its nominees.

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, 2020		As at March 31, 2019	
	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) and its nominees	11,21,79,830	52.72	11,21,79,830	52.77
Standard Life Investments Limited	5,72,28,305	26.89	6,36,50,615	29.94

- e) 6,80,875 equity shares of ₹ 5 each are reserved for issuance towards outstanding employee stock options.
- f) 7,85,400 equity shares of ₹ 10 each (Previous Year 7,85,400 equity shares of ₹ 10 each) 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.

Notes to Financial Statements

for the year ended March 31, 2020

Note 19 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.

General reserve

Pursuant to the provisions of Companies Act, 1956, the Company had transferred a portion of the net profit of the Company 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 Statement of Profit and Loss with the corresponding credit to this account over the vesting period.

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 20 Asset Management Services

₹ (in Crore)

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
Investment Management Fee	1,965.28	1,895.39
Portfolio Management Fee and Other Advisory Services Fee	37.97	19.79
Total	2,003.25	1,915.18

Notes to Financial Statements

for the year ended March 31, 2020

Note 21 Other Income

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Income from Investments		
Interest Income from Investments		
- On Financial Assets measured at Amortised Cost	31.84	32.02
- On Financial Assets measured at Fair Value Through Profit and Loss	25.29	-
Interest on deposit with Banks		
- On Financial Assets measured at Amortised Cost	0.72	1.51
Net gain on Financial Instruments		
- On Financial Assets classified at Fair Value Through Profit and Loss	-	61.24
Dividend Income from Investments		
- On Financial Assets measured at Amortised Cost	2.45	6.31
- On Financial Assets classified at Fair Value Through Profit and Loss	59.50	57.44
Total Income from Investments (A)	119.80	158.52
Others		
Net gain / (loss) on derecognition of Property, Plant and Equipment	0.04	(0.20)
Net gain / (loss) on Foreign Exchange Transactions	0.88	0.23
Other Interest Income	1.42	1.10
Miscellaneous Income	18.04	21.95
Total Others (B)	20.38	23.08
Total Other Income (A+B)	140.18	181.60

Note 22 Impairment on Financial Instruments

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Impairment Loss (on Financial Instruments - Investments measured at Amortised Cost) (see note 37)	-	40.00
Total	-	40.00

Note 23 Employee Benefits Expenses

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, Allowances and Bonus	202.00	189.23
Contribution to Provident and Other Funds	9.71	8.83
Share Based Payments to Employees	-	5.25
Staff Welfare and Training Expenses	3.00	2.96
Total	214.71	206.27

Notes to Financial Statements

for the year ended March 31, 2020

Note 24 Other Expenses

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Mutual Fund and New Fund Offer Expenses	5.74	6.30
Advertisement, Publicity and Business Promotion	26.88	35.72
Rent	0.29	38.50
Rates and Taxes	0.37	0.28
Electricity Charges	5.49	5.72
Repair and Maintenance	26.46	22.83
Communication Expenses	6.46	5.04
Printing, Stationery and Courier	12.50	24.75
Directors' Sitting Fees, Commission, allowances and expenses	3.63	1.65
Auditors Remuneration:		
Audit Fee	0.21	0.18
Tax Audit Fee	0.03	0.02
Taxation Matters	0.22	0.26
Reimbursement of Expenses	0.01	0.01
Other Services	0.16	0.23
	0.63	0.70
Legal and Professional Fees	13.74	10.62
Insurance Expenses	4.01	3.60
Travel and Conveyance	7.22	7.06
Subscription and Membership Fees	7.99	7.14
Outsourced Services Cost	25.25	19.86
Donations	0.04	0.05
Corporate Social Responsibility expense as per Section 135 (5) of the Companies Act, 2013 (see note 34)	20.90	16.98
Net loss on Financial Instruments		
- On Financial Assets classified at Fair Value Through Profit and Loss	3.40	-
Miscellaneous Expenses	24.43	15.90
Total	195.43	222.70

Note 25 Employee Benefits

a) Defined Contribution Plan

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

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Employer's contribution to Provident Fund	6.34	5.84

Notes to Financial Statements

for the year ended March 31, 2020

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 Statement of Profit and Loss, the funded status and amounts recognised in Balance Sheet.

(i) Changes in Present Value of the Defined Benefit Obligation

PARTICULARS	₹ (in Crore)	
	As at March 31, 2020	As at March 31, 2019
Obligation as at beginning of the year	28.76	24.81
Current service cost	2.74	2.43
Interest cost	2.18	1.91
Benefits paid	(1.25)	(0.72)
Actuarial (gains) / losses on obligation - due to change in demographic assumptions	(0.70)	-
Actuarial (gains) / losses on obligation - due to change in financial assumptions	3.64	0.23
Actuarial (gains) / losses on obligation - due to experience adjustments	0.77	0.10
Obligation as at the end of the year	36.14	28.76

(ii) Change in the Fair Value of Plan Assets

PARTICULARS	₹ (in Crore)	
	As at March 31, 2020	As at March 31, 2019
Fair Value of Plan Assets at the beginning of the year	25.51	22.25
Expected return on plan assets	1.94	1.72
Contributions by the Employer	3.25	2.55
Benefit Paid from the Fund	(1.25)	(0.72)
Actuarial gain / (loss) on plan assets	(0.40)	(0.29)
Fair Value of Plan Assets at the end of the year	29.05	25.51

(iii) Actual Return on Plan Assets

PARTICULARS	₹ (in Crore)	
	As at March 31, 2020	As at March 31, 2019
Expected return on Plan Assets	1.94	1.72
Actuarial gain / (loss) on Plan Assets	(0.40)	(0.29)
Actual Return on Plan Assets	1.54	1.43

Notes to Financial Statements

for the year ended March 31, 2020

(iv) Amount recognised in the Balance Sheet

PARTICULARS	₹ (in Crore)	
	As at March 31, 2020	As at March 31, 2019
Present Value of defined benefit obligation	(36.14)	(28.76)
Fair Value of Plan Assets	29.05	25.51
Funded status [surplus / (deficit)]	(7.09)	(3.25)
Net Liability recognised in the Balance Sheet	(7.09)	(3.25)

(v) Expenses recognised in the Statement of Profit and Loss

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Current service cost	2.74	2.43
Interest Cost	2.18	1.91
Expected Return on Plan Assets	(1.94)	(1.72)
Expenses recognised in the Statement of Profit and Loss	2.98	2.62

(vi) Expenses recognised in Other Comprehensive Income (OCI)

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Actuarial (gains) / losses on Obligation	3.71	0.33
Actuarial (gains) / losses on Plan Assets	0.40	0.29
Net (income) / expense for the year recognized in OCI	4.11	0.62

(vii) Amount Recognised in the Balance Sheet

PARTICULARS	₹ (in Crore)	
	As at March 31, 2020	As at March 31, 2019
Liability at the end of the year	36.14	28.76
Fair Value of Plan Assets at the end of the year	(29.05)	(25.51)
Amount recognised in the Balance Sheet as Liability	7.09	3.25

(viii) Balance sheet reconciliation

PARTICULARS	₹ (in Crore)	
	As at March 31, 2020	As at March 31, 2019
Net Liability as at the beginning of the year	3.25	2.56
Expenses recognised in the Statement of Profit and Loss	2.98	2.62
Expenses / (Income) recognised in OCI	4.11	0.62
Contributions by the Employer	(3.25)	(2.55)
Net Liability / (Asset) recognized in Balance Sheet	7.09	3.25

Notes to Financial Statements

for the year ended March 31, 2020

(ix) Investment Pattern

PARTICULARS	% Invested	
	As at March 31, 2020	As at March 31, 2019
Money Market Instruments and Public Deposits	100	100

(x) Actuarial Assumptions

PARTICULARS	As at March 31, 2020	As at March 31, 2019
Expected Return on Plan Assets	6.83%	7.59%
Rate of Discounting	6.83%	7.59%
Rate of Salary Increase	2.00% p.a. for the next 1 year, 7.00% p.a. thereafter, starting from the 2nd year	6.00%
Rate of Employee Turnover	For service 4 years and below - 13.83% p.a, For service 5 years and above - 4.79% p.a.	For service 4 years and below - 14.27% p.a, For service 5 years and above - 7.07% p.a.
Mortality Rate During Employment	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)

(xi) Maturity Analysis of the benefit payments

PARTICULARS	₹ (in Crore)	
	As at March 31, 2020	As at March 31, 2019
Projected benefits payable in future years from the date of reporting		
1st Following year	4.41	4.51
2nd Following year	2.10	2.05
3rd Following year	1.70	2.49
4th Following year	1.91	2.08
5th Following year	1.80	2.16
Sum of years 6 to 10	16.49	14.31
Sum of years 11 and above	48.14	28.34

The weighted average duration of the projected benefit obligation is 10 years (March 31, 2019: 8 years)

Notes to Financial Statements

for the year ended March 31, 2020

(xii) Sensitivity Analysis

₹ (in Crore)

PARTICULARS	As at	As at
	March 31, 2020	March 31, 2019
Projected Benefit Obligation on Current Assumptions	36.14	28.76
Delta Effect of +1% Change in Rate of Discounting	(2.95)	(1.83)
Delta Effect of -1% Change in Rate of Discounting	3.43	2.09
Delta Effect of +1% Change in Rate of Salary Increase	3.40	2.10
Delta Effect of -1% Change in Rate of Salary Increase	(2.98)	(1.88)
Delta Effect of +1% Change in Rate of Employee Turnover	(0.09)	0.19
Delta Effect of -1% Change in Rate of Employee Turnover	0.10	(0.22)

The sensitivity analysis has 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 projected 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 projected 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 projected benefit obligation as recognised in the Balance Sheet.

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 money market instruments and public deposits.

(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 with 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 are payable till retirement age only, the plan does not have any longevity risk.

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for the year ended March 31, 2020

(vi) Concentration Risk

The plan has 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 26 Share based payments

Accounting for Employee Share Based Payments

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 of the Board of Directors of the Company ('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.

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 III (ESOS 2015 – Series III), the Company had on March 16, 2017 granted 14,000 stock options at an exercise price of ₹ 4,721/- per option, representing 14,000 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 2015 – Series III, 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 II (ESOS 2015 – Series II), the Company had on June 22, 2016 granted 7,000 stock options at an exercise price of ₹ 4,078/- per option, representing 7,000 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 2015 – 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 three 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

Notes to Financial Statements

for the year ended March 31, 2020

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	493
ESOS 2015 Series II	4,078	510
ESOS 2015 Series III	4,721	590
ESOS 2017 Series I	5,353	669
ESOS 2017 Series II	7,936	992

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 details of number of options vested are as follows:

NAME OF THE SERIES	For the year ended March 31, 2020	For the year ended March 31, 2019
ESOS 2017 Series I	Nil	12,57,400
ESOS 2017 Series II	Nil	48,000

The details of number of options vested and lapsed are as follows:

NAME OF THE SERIES	For the year ended March 31, 2020	For the year ended March 31, 2019
ESOS 2017 Series I	Nil	2,000

Notes to Financial Statements

for the year ended March 31, 2020

Movement in the options under ESOS 2015:

PARTICULARS	No. of Options					
	For the year ended March 31, 2020			For the year ended March 31, 2019		
	ESOS 2015			ESOS 2015		
	Series I	Series II	Series III	Series I	Series II	Series III
Outstanding at the beginning of the year	80,000	Nil	Nil	80,000	Nil	1,12,000
Granted during the year	Nil	Nil	Nil	Nil	Nil	Nil
Exercised during the year	Nil	Nil	Nil	Nil	Nil	1,12,000
Lapsed during the year	Nil	Nil	Nil	Nil	Nil	Nil
Outstanding at the end of the year	80,000	Nil	Nil	80,000	Nil	Nil
Exercisable at the end of the year	80,000	Nil	Nil	80,000	Nil	Nil

Movement in the options under ESOS 2017:

PARTICULARS	No. of Options			
	For the year ended March 31, 2020		For the year ended March 31, 2019	
	ESOS 2017		ESOS 2017	
	Series I	Series II	Series I	Series II
Outstanding at the beginning of the year	7,82,990	48,000	12,61,800	48,000
Granted during the year	Nil	Nil	Nil	Nil
Exercised during the year	2,26,115	4,000	4,72,410	Nil
Lapsed during the year	Nil	Nil	6,400	Nil
Outstanding at the end of the year	5,56,875	44,000	7,82,990	48,000
Exercisable at the end of the year	5,56,875	44,000	7,82,990	48,000

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

Fair value methodology

The fair value of options used to compute 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 2015 – Series I, ESOS 2015 – Series II, ESOS 2015 – Series III, ESOS 2017 – Series I and ESOS 2017 – Series II as on the date of grant were:

PARTICULARS	ESOS 2015– Series I	ESOS 2015– Series II	ESOS 2015– Series III
Date of grant	December 10, 2015	June 22, 2016	March 16, 2017
Risk-free interest rate	7.18% p.a.	6.81% p.a.	7.02% p.a.
Expected average life	2.5 Years	2.5 Years	3.5 Years
Expected volatility	0%	0%	0%
Dividend yield	1.77% p.a.	1.80% p.a.	1.80% p.a.
Fair value of the option	₹ 478	₹ 459	₹ 740
Fair value of the option after corporate action	₹ 60	₹ 57	₹ 93

Notes to Financial Statements

for the year ended March 31, 2020

PARTICULARS	ESOS 2017– Series I	ESOS 2017– Series II
Date of grant	July 28, 2017	January 17, 2018
Risk-free interest rate	6.66% p.a.	6.97% p.a.
Expected average life	3.5 Years	3.5 Years
Expected volatility	0%	40.67%
Dividend yield	1.86% p.a.	1.86% p.a.
Fair value of the option	₹ 777	₹ 2,726
Fair value of the option after corporate action	₹ 97	₹ 341

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 annualized standard deviation of the continuously compounded rates of return on the stock over a period of time.

In case of schemes other than ESOS 2017–Series II, as on the date of grant, the Company being an unlisted company and in the absence of listed comparable companies, volatility has 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 has been annualised for the purpose of this valuation.

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 and ESOS 2015 – Series II, can be exercised from the date of their respective vesting.

By virtue of the said modifications, the options granted under ESOS 2015 – Series I and ESOS 2015 – Series II 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 these schemes.

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 and ESOS 2015 – Series II as on the date of modification were:

PARTICULARS	ESOS 2015 – Series I		ESOS 2015 – Series II	
	Original Terms	Modified Terms	Original Terms	Modified Terms
Risk-free interest rate	6.60% p.a.	6.70% p.a.	6.66% p.a.	6.74% p.a.
Expected average life	1.89 Years	2.89 Years	2.42 Years	3.42 Years
Expected volatility	0%	0%	0%	0%
Dividend yield	1.80% p.a.	1.80% p.a.	1.80% p.a.	1.80% p.a.
Fair value of the option	₹ 511	₹ 672	₹ 484	₹ 646
Fair value of the option after corporate action	₹ 64	₹ 84	₹ 61	₹ 81

The incremental share based compensation determined under fair value method amounts to ₹ 161 (₹ 20 post corporate action) per option under ESOS 2015 – Series I and ₹ 162 (₹ 20 post corporate action) per option under ESOS 2015 – Series II. The incremental fair value granted is taken into consideration for the purpose of computing the net income and earnings per equity share.

Notes to Financial Statements

for the year ended March 31, 2020

Note 27 Tax expense

Components of Income Tax Expense

(a) Amounts recognised in the Statement of Profit and Loss

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Current income tax	410.52	445.47
	410.52	445.47
Deferred tax (Income) / expense		
Origination and reversal of temporary differences	(19.88)	(1.37)
	(19.88)	(1.37)
Income Tax expense for the year	390.64	444.10

(b) Tax on amounts recognised in Other Comprehensive Income

PARTICULARS	₹ (in Crore)	
	Tax (expense) / benefit	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Remeasurement of the defined benefit plans	1.03	0.22
Total	1.03	0.22

(c) Reconciliation of Effective Tax Rate

Reconciliation between the statutory Income tax rate applicable to the Company and the effective Income tax rate of the Company	₹ (in Crore)	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit before tax	1,653.05	1,374.70
Company's domestic tax rate	25.17%	34.94%
Tax using the Company's domestic tax rate	416.07	480.38
Tax effect of / on:		
Net expenses that are not deductible in determining taxable profit	(0.14)	1.35
Items which are taxed at different rates	(8.71)	(7.69)
Incomes which are exempt from tax	(23.61)	(33.46)
Expenses for which weighted deduction under tax laws is allowed	2.63	2.97
Others	0.26	0.55
Effect of changes in income tax rate on deferred tax balances	4.14	-
Total	(25.43)	(36.28)
Income Tax expense for the year	390.64	444.10

(d) Effective Tax Rate

PARTICULARS	Tax (expense) / benefit	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Effective Tax Rate (%)	23.63	32.31

Notes to Financial Statements

for the year ended March 31, 2020

The Company has elected to exercise the option of a lower tax rate provided under Section 115BAA of the Income-tax Act, 1961, as introduced by the Taxation Laws (Amendment) Ordinance, 2019 dated September 20, 2019. Accordingly, the income tax rate has decreased from 34.94% in the FY 18-19 to 25.17% in the FY 19-20.

(e) Significant components and movement in deferred tax assets and liabilities:

₹ (in Crore)

PARTICULARS	Balance as at April 01, 2019	Expense / (Income) recognised	Balance as at March 31, 2020
Deferred Tax Assets			
- Property, Plant and Equipment & Other Intangible Assets (excluding ROU)	10.38	2.69	7.69
- Lease Liabilities *	43.76	14.14	29.62
- Provision for Employee Benefits	0.35	(1.47)	1.82
- Others	1.46	0.19	1.27
- Fair value gains / losses and impairment on Investments	(13.01)	(21.79)	8.78
Total Deferred Tax Assets	42.94	(6.24)	49.18
Deferred Tax Liabilities			
- Right Of Use Asset *	40.16	(13.31)	26.85
- Others *	0.99	(0.33)	0.66
Total Deferred Tax Liabilities	41.15	(13.64)	27.51
Net Deferred Tax Assets / (Liabilities)	1.79	(19.88)	21.67

* Effective April 01, 2019, the Company has adopted Ind AS 116 - Leases. On transition, the adoption of the new standard resulted in recognition of Right-of-Use asset (ROU) of ₹ 114.93 Crore (including ₹ 2.96 Crore reclassified from other non-financial assets) and a lease liability of ₹ 125.23 Crore. As a result, on April 01, 2019, a deferred tax liability of ₹ 40.16 Crore (including ₹ 1.03 Crore transferred from Other deferred tax liabilities) and a deferred tax asset of ₹ 43.76 Crore was created on ROU and lease liabilities respectively. Consequently, the cumulative deferred tax benefit of ₹ 4.63 Crore has been taken to retained earnings on the date of initial application i.e. April 01, 2019.

₹ (in Crore)

PARTICULARS	Balance as at April 01, 2018	Expense / (Income) recognised	Balance as at March 31, 2019
Deferred Tax Assets			
- Property, Plant and Equipment & Other Intangible Assets	10.37	(0.01)	10.38
- Provision for Employee Benefits	0.31	(0.04)	0.35
- Others	1.43	(0.03)	1.46
Total Deferred Tax Assets	12.11	(0.08)	12.19
Deferred Tax Liabilities			
- Fair value gains / losses and impairment on Investments	13.99	(0.98)	13.01
- Others	2.34	(0.31)	2.02
Total Deferred Tax Liabilities	16.33	(1.29)	15.03
Net Deferred Tax Assets / (Liabilities)	(4.22)	(1.37)	(2.84)

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 judgment 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 Financial Statements

for the year ended March 31, 2020

Note 28 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	Fellow Subsidiaries	HDFC Trustee Company Limited HDFC Life Insurance Company Limited HDFC ERGO General Insurance Company Limited HDFC Sales Private Limited
3	Investor with a significant influence	Standard Life Investments Limited
4	Other Related Parties	HDFC Bank Limited HDFC Securities Limited HDFC Asset Management Company Limited Employees' Group Gratuity Assurance Scheme C J Industries (from January 22, 2019 to April 01, 2019)
5	Key Managerial Personnel (KMP)	Deepak S Parekh Milind Barve Keki Mistry Hoshang Billimoria (upto November 29, 2019) Humayun Dhanrajgir (upto October 31, 2018) P M Thampi (upto October 31, 2018) Rajeshwar R Bajaaj (upto October 31, 2018) Dhruv Kaji (from October 31, 2018) Jairaj Purandare (from October 31, 2018) Sanjay Bhandarkar (from October 31, 2018) Parag Shah (from January 22, 2019) Vijay Merchant (upto July 20, 2019) Dr. Deepak Phatak (upto July 20, 2019) Renu S Karnad Roshni Nadar Malhotra (from April 27, 2019) Shashi Kant Sharma (from October 26, 2019)
6	Key Managerial Personnel of Holding Company (except covered in Point No. 5)	V Srinivasa Rangan
7	Relatives of Company's Key Managerial Personnel and Holding Company's Key Managerial Personnel	Jamshed Jiji Irani Smita Deepak Parekh Harsha Shantilal Parekh Arnaaz Keki Mistry Rita Vijay Merchant Bharat Karnad Ashok Sud V Jayam S Anuradha Abinaya Rangan

Notes to Financial Statements

for the year ended March 31, 2020

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

PARTICULARS	Holding Company		Fellow Subsidiaries		Investor with a Significant Influence			Other Related Parties	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	
	₹ (in Crore)								
Management Fees	-	-	-	-	1.31	1.70	-	-	
Interest on Deposits	-	-	-	-	-	-	0.72	1.51	
Insurance Claim received	-	-	-	6.94	-	-	-	-	
	INCOME								
Lease Rent	12.33	12.31	-	-	-	-	-	-	
Bank Charges	-	-	-	-	-	-	0.00	0.01	
Fees and Commission	-	-	0.00	0.00	-	-	5.60	70.32	
Technology Support Cost	2.50	1.81	-	-	-	-	-	-	
Advertisement Expenses	-	-	-	-	-	-	-	0.05	
Administration & Other Expenses	2.16	2.07	-	-	-	-	-	0.00	
Insurance Premium	-	-	2.03	1.66	-	-	-	-	
Custodian Charges	-	-	-	-	-	-	0.01	0.01	
	OTHER TRANSACTIONS								
Equity Dividend	134.62	134.62	-	-	76.38	76.38	-	0.00	
Contribution towards Gratuity Fund	-	-	-	-	-	-	3.25	2.55	
Insurance Premium for assets given on Finance Lease	-	-	0.01	-	-	-	-	-	
	ASSET								
Bank Balances	-	-	-	-	-	-	26.91	0.84	
Fixed Deposits	-	-	-	-	-	-	-	30.97	
Interest accrued on Fixed Deposit	-	-	-	-	-	-	-	0.44	
Account Receivable	-	7.89	0.04	0.03	0.28	7.65	-	0.46	
Prepaid Commission	-	-	-	0.00	-	-	0.19	2.95	
Prepaid Insurance Premium	-	-	1.85	1.47	-	-	-	-	
	LIABILITY								
Account Payable	3.65	1.62	-	-	-	-	0.28	0.16	

Notes:

- (i) During the previous year, any IPO related payments had not been considered above as they were not expenses of the Company and the same were borne by the selling Shareholders. However, receivable from selling Shareholders on this account was factored above.
- (ii) HDFC Bank Limited has issued a bank guarantee amounting to ₹ Nil (Previous Year ₹ 25.00 Crore) on behalf of the Company.
- (iii) During the FY 19-20, HDFC AMC has entered into an agreement with Holding company for using the Trademark of Holding company wherein no consideration is required to be paid. 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 last 20 years, based on the reciprocity of benefits to both parties to the transaction.
- (iv) The Company provides the necessary operating and secretarial services, etc. to HDFC Trustee Company Limited to meet the operating and compliance requirements since HDFC Trustee Company Limited has only directors and no employees to perform such activities. The Company does not charge any amount in line with practice followed by the mutual fund industry.

Notes to Financial Statements

for the year ended March 31, 2020

(b) Details of remuneration paid to Company's KMPs

₹ (in Crore)

PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
Short term employee benefits	6.51	7.27
Post employment benefits	0.27	0.19
Other long term benefits	0.06	-
Share based payment	-	0.66
Other Benefits	0.03	0.03
Directors Sitting Fees	1.73	1.65
Commission to Non Executive Directors *	1.90	-
Total Remuneration	10.50	9.80

* 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, 2020	For the year ended March 31, 2019
Dividend on Equity Shares	1.84	1.84

(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, 2020	For the year ended March 31, 2019
Dividend on Equity Shares	0.00	0.00

Note 29 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, 2020	For the year ended March 31, 2019
Profit after tax for the year	1,262.41	930.60
Weighted Average equity shares outstanding during the year	21,26,31,323	21,21,14,217

Notes to Financial Statements

for the year ended March 31, 2020

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

PARTICULARS	₹	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Nominal value per share	5.00	5.00
Basic earnings per share	59.37	43.87
Effect of potential equity shares for stock options (per share)	(0.13)	(0.09)
Diluted earnings per share	59.24	43.78

PARTICULARS	₹	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Weighted average number of equity shares used in computing basic earnings per equity share	21,26,31,323	21,21,14,217
Effect of potential equity shares for stock options outstanding	5,01,771	4,54,657
Weighted average number of equity shares used in computing diluted earnings per equity share	21,31,33,094	21,25,68,874
Weighted average number of anti dilutive options not considered in computing diluted earnings per equity share	-	-

Note 30

I. Leases

A. Implementation of Ind AS 116

This note explains the impact of the adoption of Ind AS 116 Leases on the financial statements.

Under the erstwhile standard, IND AS 17 - Leases, the leases in which a substantial portion of the risk and rewards of the ownership were retained by the lessor were classified as operating leases. Under Ind AS 116, the Company recognises right-of-use assets and lease liabilities for leases i.e. these leases are on the balance sheet. Lease liabilities as at April 01, 2019 were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The weighted average of lessee's incremental borrowing rate applied to the lease liabilities as at April 01, 2019 was 7.78%. This change is in accordance with the transitional provisions of IND AS 116.

Effective April 01, 2019, the Company has adopted Ind AS 116 - Leases and applied it to all lease contracts existing on April 01, 2019 using the modified retrospective method. Consequently, the cumulative adjustment has been taken to retained earnings on the date of initial application i.e. April 01, 2019. Based on the same and as permitted under the specific transitional provisions in the standard, the Company is not required to restate the comparative figures.

On transition, the adoption of the new standard resulted in recognition of Right-of-Use asset (ROU) of ₹ 114.93 Crore (including ₹ 2.96 Crore reclassified from other non-financial assets) and a lease liability of ₹ 125.23 Crore. The cumulative effect of applying the standard resulted in ₹ 8.63 Crore (net of taxes) being debited to retained earnings.

The effect of this adoption is not material to the profit for the year and earnings per share. The new accounting policy is disclosed in Note 3.9 Leases.

(i) Practical expedients applied

The Company has elected not to reassess the previously identified leases applying Ind AS 17 - Leases as to whether a contract is, or contains a lease at the date of initial application. Further, In applying Ind AS 116 for the first time, the Company has also used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

Notes to Financial Statements

for the year ended March 31, 2020

- relying on its previous assessment of whether leases are onerous under Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.
- there were no onerous contracts as at April 01, 2019.
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(ii) Measurement of lease liabilities

PARTICULARS	₹ (in Crore)
	As At April 01, 2019
Operating lease commitment as at March 31, 2019 as disclosed in the company's financial statements	2.73
Discounted using the incremental borrowing rate at April 01, 2019	0.20
Discounted Lease liabilities recognised as at March 31, 2019	2.53
Change in estimate of lease term *	122.70
Lease liability recognised at April 01, 2019	125.23

* The difference between the lease obligation recorded as of March 31, 2019 under Ind AS 17 and the value of the lease liability as of April 01, 2019 is primarily on account of inclusion of cancellable lease period and extension options reasonably certain to be exercised, in measuring the lease liability in accordance with Ind AS 116 and discounting the lease liabilities to the present value under Ind AS 116.

- B.** 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 Balance Sheet.

(i) Amounts recognised in the Balance sheet

	₹ (in Crore)
	As At March 31, 2020
(a) Right-of-use assets (net) (Property Plant and Equipment)	106.67
(b) Lease liabilities	
Current	30.55
Non-current	87.13
Total Lease liabilities	117.68

	₹ (in Crore)
	For the year ended March 31, 2020
(c) Additions to the Right-of-use assets	26.97

(ii) Amounts recognised in the Statement of Profit and Loss

	₹ (in Crore)
	For the year ended March 31, 2020
(a) Depreciation charge for right-of-use assets	32.86
(b) Interest expense (included in finance cost)	8.98
(c) Expense relating to short-term leases	0.28

Notes to Financial Statements

for the year ended March 31, 2020

(iii) Cash Flows

	₹ (in Crore)
	For the year ended March 31, 2020
The total cash outflow of leases	39.41

(iv) Future Commitments

	₹ (in Crore)
	As At March 31, 2020
Future undiscounted lease payments to which leases is not yet commenced	11.38

(v) Maturity analysis of undiscounted lease liability

	₹ (in Crore)
	As At March 31, 2020
PARTICULARS	
Less than 1 year	38.20
More than 1 year	104.04
Total	142.24

(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.

C. Finance Lease

(i) The Company has provided vehicles to its employees which have been treated as finance leases.

	₹ (in Crore)
	For the year ended March 31, 2020
QUANTITATIVE DISCLOSURES	
Selling profit / (loss)	-
Finance income on the net investment in the lease	0.15
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)
	For the year ended March 31, 2020
PARTICULARS	
Lease receivables as at the beginning of the year	1.79
Add : Finance income on the net investment in the lease	0.15
Add : New leases entered during the year	0.96
Less : Lease payments received during the year	1.19
Lease receivables as at the end of the year	1.71

Notes to Financial Statements

for the year ended March 31, 2020

(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, 2020
PARTICULARS		
Less than one year		0.92
One to two years		0.54
Two to three years		0.31
Three to four years		0.14
Four to five years		-
More than five years		-
Total undiscounted lease payments receivable		1.91
Less: unearned finance income		0.20
Present value of lease receivables *		1.71

* 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		As at March 31, 2020
	Collateral available	
Finance lease receivables	Hypothecation of the underlying car financed	1.71

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 from employee's full and final settlement in accordance with the Car Policy.

II. Lease disclosures under Ind AS 17 for the comparative year ended March 31, 2019

A. Operating Lease

The Company has entered into non cancellable leasing arrangements for certain premises. The total lease payments recognised in the Statement of Profit and Loss towards the said leases are as follows:

		₹ (in Crore)
PARTICULARS		For the year ended March 31, 2019
Lease Payments		1.69
Total		1.69

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

		₹ (in Crore)
PARTICULARS		As At March 31, 2019
Not later than one year		1.58
Later than one year but not later than five years		1.15
Later than five years		-
Total		2.73

Notes to Financial Statements

for the year ended March 31, 2020

B. Finance Lease

The Company has provided vehicles to its employees which have been treated as finance leases. The following is the summary of future minimum lease payments receivables for assets given on finance leases by the Company:

PARTICULARS	As at March 31, 2019	
	Minimum Lease Payments Receivables	Present Value of Minimum Lease Receivables
Not later than one year	1.05	1.04
Later than one year but not later than five years	0.92	0.75
Later than five years	-	-
Total	1.97	1.79
Less: unearned finance income	0.18	
Present value of minimum lease receivables	1.79	1.79

Note 31 Segment Information

(a) Description of segments and principal activities

The Company is in the business of providing asset management services to HDFC Mutual 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.

(b) Segment Revenue

The amount of its revenue from external customers broken down by location of the customers is shown in the table below:

REVENUE	₹ (in Crore)	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Within India	1,969.50	1,901.95
Outside India	33.75	13.23
Total	2,003.25	1,915.18

(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:

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue from HDFC Mutual Fund	1,965.28	1,895.39

Notes to Financial Statements

for the year ended March 31, 2020

Note 32 Contingent Liabilities and Commitments

PARTICULARS	₹ (in Crore)	
	As at March 31, 2020	As at March 31, 2019
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	42.44	51.91
(b) Contingent liabilities not provided for: Disputed Income Tax and Service Tax demand	5.50	4.19

Note 33 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	₹ (in Crore)	
	For the year ended March 31, 2020	For the year ended March 31, 2019
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.

Note 34 Corporate Social Responsibility 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:

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Amount to be spent during the year	20.73	16.17

For the year ended March 31, 2020

PARTICULARS	₹ (in Crore)		
	In Cash	Yet to be paid in cash	Total
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 Statement of Profit and Loss	20.90	-	20.90
Total	20.90	-	20.90

Notes to Financial Statements

for the year ended March 31, 2020

For the year ended March 31, 2019

₹ (in Crore)			
PARTICULARS	In Cash	Yet to be paid in cash	Total
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 Statement of Profit and Loss	16.98	-	16.98
Total	16.98	-	16.98

Note 35 Dividend Paid and Proposed

₹ (in Crore)		
PARTICULARS	For the year ended March 31, 2020	For the year ended March 31, 2019
Dividends on equity shares declared and paid during the year:		
Final dividend		
Paid for the earlier financial year	255.11	-
Dividend per share (₹)	12.00	-
Interim dividend		
Paid for the same financial year	-	255.09
Dividend per share (₹)	-	12.00
Total dividend paid	255.11	255.09
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	595.85	255.09
Dividend per share (₹)	28.00	12.00
Dividend Distribution Tax on final dividend	-	52.43

Note 36 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 37 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.

Notes to Financial Statements

for the year ended March 31, 2020

₹ (in Crore)

PARTICULARS	Carrying Amount			Fair Value			Total
	FVTPL	Amortised Cost	Total Carrying amount	Level 1	Level 2	Level 3	
As at March 31, 2020							
Financial Assets							
Investments in:-							
Mutual Funds	3,334.49	-	3,334.49	2,973.30	361.23	-	3,334.53
Debt Securities	31.50	494.55	526.05	-	510.03	31.50	541.53
Equity Instrument in Others	0.36	-	0.36	-	-	0.36	0.36
Preference Shares	-	30.00	30.00	-	30.25	-	30.25
Investment in Alternative Investment Funds	42.41	-	42.41	-	-	42.41	42.41
Investment in Venture Capital Fund	11.20	-	11.20	-	-	11.20	11.20
Trade & Other Receivables*	-	64.58	64.58				64.58
Cash and Cash Equivalents*	-	26.64	26.64				26.64
Other Bank Balances*	-	0.46	0.46				0.46
Other Financial Asset*	-	29.95	29.95				29.95
Total	3,419.96	646.18	4,066.14	2,973.30	901.51	85.47	4,081.91
Financial Liabilities							
Trade Payables*	-	46.73	46.73				46.73
Other Financial Liabilities							
Lease Liabilities	-	117.68	117.68		115.68		115.68
Others*	-	60.69	60.69				60.69
Total Other Financial Liabilities	-	178.37	178.37	-	115.68	-	176.37
Total	-	225.10	225.10	-	115.68	-	223.10

₹ (in Crore)

PARTICULARS	Carrying Amount			Fair Value			Total
	FVTPL	Amortised Cost	Total Carrying amount	Level 1	Level 2	Level 3	
As at March 31, 2019							
Financial Assets							
Investments in:-							
Mutual Funds	2,350.86	-	2,350.86	1,776.05	574.81	-	2,350.86
Debt Securities	5.74	498.75	504.49	-	502.31	5.74	508.05
Equity Instrument in Others	0.26	-	0.26	-	-	0.26	0.26
Preference Shares	-	30.00	30.00	-	32.25	-	32.25
Investment in Alternative Investment Funds	28.03	-	28.03	-	-	28.03	28.03
Investment in Venture Capital Fund	21.32	-	21.32	-	-	21.32	21.32
Trade & Other Receivables*	-	102.86	102.86				102.86
Cash and Cash Equivalents*	-	0.90	0.90				0.90
Other Bank Balances*	-	31.09	31.09				31.09
Other Financial Asset*	-	27.98	27.98				27.98
Total	2,406.21	691.58	3,097.79	1,776.05	1,109.37	55.35	3,103.60
Financial Liabilities							
Trade Payables*	-	47.36	47.36				47.36
Other Financial Liabilities*	-	65.69	65.69				65.69
Total	-	113.05	113.05	-	-	-	113.05

*Fair value of cash and cash equivalents, 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 Financial Statements

for the year ended March 31, 2020

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.

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).

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.

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
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
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.

Notes to Financial Statements

for the year ended March 31, 2020

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, 2020

Financial Instrument	Significant unobservable inputs	Probability weights / range	Sensitivity of input to fair value measurement
Debt Securities	Illiquidity Factor	10% - 20%	A 5% increase in the illiquidity factor would decrease the carrying value of investment by ₹ 1.51 Crore. A 5% decrease in the illiquidity factor would increase the carrying value of investment by ₹ 1.51 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 ₹ 4.24 Crore. A 10% decrease in the NAV would decrease the carrying value of investment by ₹ 4.24 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 ₹ 1.12 Crore. A 10% decrease in the NAV would decrease the carrying value of investment by ₹ 1.12 Crore.

* As at March 31, 2020, NAV is considered as significant unobservable input as the Company has invested in Alternative Investment Funds and Venture Capital Fund. The Company does not have any direct access to the underlying portfolio companies in which Alternative Investment Funds and Venture Capital Fund have invested. Hence, it is more appropriate to consider NAV as significant unobservable input.

As at March 31, 2019

Financial Instrument	Significant unobservable inputs	Probability weights / range	Sensitivity of input to fair value measurement
Debt Securities	Long term revenue growth rates. The terminal value of growth rate	7.50%	The carrying value of investment would decrease by ₹ 0.33 Crore if the long term growth rate was lower by 1%. The carrying value of investment would increase by ₹ 0.39 Crore if the long term growth rate was higher by 1%.
	Weighted average cost of capital (WACC) determined using a capital asset pricing model	18.64%	The carrying value of investment would increase by ₹ 0.60 Crore if the WACC used was lower by 1%. The carrying value of investment would decrease by ₹ 0.51 Crore if the WACC used was higher by 1%.
Alternative Investment Funds	Market multiple of performance measures such as earnings or revenue	0.08x	A 10% increase in the market multiple of unquoted investments would increase the carrying value of investment by ₹ 0.07 Crore. A 10% decrease in the market multiple of unquoted investments would decrease the carrying value of investment by ₹ 0.07 Crore.
	Market multiple of performance measures such as earnings or revenue	1.51x - 4.81x	A 10% increase in the market multiple of unquoted investments would increase the carrying value of investment by ₹ 0.42 Crore. A 10% decrease in the market multiple of unquoted investments would decrease the carrying value of investment by ₹ 0.45 Crore.
Venture Capital Fund	Market multiple of performance measures such as earnings or revenue	2.0x - 21x	A 10% increase in the market multiple of unquoted investments would increase the carrying value of investment by ₹ 0.29 Crore. A 10% decrease in the market multiple of unquoted investments would decrease the carrying value of investment by ₹ 0.29 Crore.

Notes to Financial Statements

for the year ended March 31, 2020

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	
Balance as at April 01, 2018	53.18
Net gain / (losses) on Financial Instruments recognised in the Statement of Profit and Loss	(3.66)
Purchases of Financial Instruments	7.13
Sales of Financial Instruments	(1.30)
Balance as at March 31, 2019	55.35
Net gain / (losses) on Financial Instruments recognised in the Statement of Profit and Loss	(102.46)
Purchases of Financial Instruments	441.77
Sales of Financial Instruments	(309.19)
Balance as at March 31, 2020	85.47

F. Financial Risk Management

The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize 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, 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 / Dividend Coupon	Investments in debt securities and preference shares
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.

Notes to Financial Statements

for the year ended March 31, 2020

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, trade and other receivables and financial assets measured at amortised cost.

PARTICULARS	₹ (in Crore)	
	As at March 31, 2020	As at March 31, 2019
Maximum exposure to credit risk	646.18	691.58

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

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:

- Cash and cash equivalent
- Trade & other receivables
- Investment in debt securities measured at amortised cost and preference shares

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 the control over 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

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 and Preference Shares

The Company has made investments in tax free bonds and preference shares. 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.

Notes to Financial Statements

for the year ended March 31, 2020

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 except for investments where credit rating has reduced to non-investment grade exposing significant increase in credit risk since initial recognition.

The following tables show reconciliation from the opening to the closing balance of the loss allowance for financial assets measured at amortised cost.

	₹ (in Crore)
RECONCILIATION OF LOSS ALLOWANCE PROVISION	LTECL
Loss allowance as at April 01, 2018	-
Add: Changes in loss allowance *	40.00
Loss allowance as at March 31, 2019	40.00
Add: Changes in loss allowance	-
Loss allowance as at March 31, 2020	40.00

* Relates to ECL provision on one of the financial instrument where the Company had assessed a significant increase in credit risk which had subsequently become credit impaired.

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.

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.

AS AT MARCH 31, 2020	Carrying amount	Contractual Cash Flows		
		Total	1 year or less	More than 1 year
Financial Liabilities				
Trade Payables	46.73	46.73	46.73	-
Lease Liability (remaining contractual maturities)	117.68	142.24	38.20	104.04
Other Financial Liabilities (excluding Lease Liability)	60.69	60.69	60.69	-
Total	225.10	249.66	145.62	104.04

Notes to Financial Statements

for the year ended March 31, 2020

AS AT MARCH 31, 2019	Carrying amount	Contractual Cash Flows			₹ (in Crore)
		Total	1 year or less	More than 1 year	
Financial Liabilities					
Trade Payables	47.36	47.36	47.36	-	
Other Financial Liabilities	65.69	65.69	65.69	-	
Total	113.05	113.05	113.05	-	

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 / dividend bearing 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:

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Exposure to price risk	3,419.96	2,406.21

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% :

PARTICULARS	₹ (in Crore)	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Effect on Profit and Loss		
5% increase in the prices	171.00	120.31
5% decrease in the prices	(171.00)	(120.31)

Notes to Financial Statements

for the year ended March 31, 2020

Note 38 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, 2020			As at March 31, 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Financial Assets						
Cash and Cash Equivalents	26.64	-	26.64	0.90	-	0.90
Bank Balance other than above	0.46	-	0.46	31.09	-	31.09
Receivables						
(i) Trade Receivables	60.59	-	60.59	82.66	-	82.66
(ii) Other Receivables	3.19	0.80	3.99	19.45	0.75	20.20
Investments	2,098.18	1,846.33	3,944.51	728.65	2,206.31	2,934.96
Other Financial Assets	15.92	14.03	29.95	15.46	12.52	27.98
Sub total - Financial Assets	2,204.98	1,861.16	4,066.14	878.21	2,219.58	3,097.79
Non Financial Assets						
Current Tax Assets (net)	-	32.37	32.37	-	35.16	35.16
Deferred Tax Assets (net)	-	21.67	21.67	-	-	-
Property, Plant and Equipment	-	141.39	141.39	-	25.63	25.63
Intangible Assets Under Development	-	4.60	4.60	-	3.17	3.17
Goodwill	-	6.04	6.04	-	6.04	6.04
Other Intangible Assets	-	9.28	9.28	-	8.03	8.03
Other Non Financial Assets	16.83	10.28	27.11	34.25	13.68	47.93
Sub total - Non Financial Assets	16.83	225.63	242.46	34.25	91.71	125.96
Total Assets	2,221.81	2,086.79	4,308.60	912.46	2,311.29	3,223.75
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	46.73	-	46.73	47.36	-	47.36
Other Financial Liabilities	91.24	87.13	178.37	65.69	-	65.69
Sub total - Financial Liabilities	137.97	87.13	225.10	113.05	-	113.05
Non Financial Liabilities						
Current Tax Liabilities (net)	3.94	-	3.94	1.77	-	1.77
Provisions	0.78	6.47	7.25	0.12	0.89	1.01
Deferred Tax Liabilities (net)	-	-	-	-	2.84	2.84
Other Non Financial Liabilities	43.05	-	43.05	34.36	-	34.36
Sub total - Non Financial Liabilities	47.77	6.47	54.24	36.25	3.73	39.98
Total Liabilities	185.74	93.60	279.34	149.30	3.73	153.03

Notes to Financial Statements

for the year ended March 31, 2020

Note 39

During the year ended March 31, 2020, the Company and its certain employees along with HDFC Trustee Company Limited received show cause notices from SEBI for matters related to Essel group exposure in certain fixed maturity plans of HDFC Mutual Fund. All the concerned parties along with the Company had filed an application for Settlement with SEBI and have received a Settlement Order dated April 16, 2020. The Company being the Investment Manager to HDFC Mutual Fund, has already compensated the unit holders of the affected mutual fund schemes and has also paid the settlement amount to SEBI.

Note 40

In early 2020, the existence of a new coronavirus named SARS-CoV-2 responsible for the disease COVID-19, was confirmed and since then the virus has spread across the globe necessitating the World Health Organization (WHO) to declare it a global pandemic. The pandemic has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in markets across the globe. Various governments have introduced a variety of measures to contain the spread of the virus. The Government of India announced a country wide lockdown which still continues across large swathes of the country with some variations. In this nation-wide lock-down, though most services across the nation have been suspended, some establishments like securities market intermediaries including our Company are exempt from the lock-down and therefore functional. There has been no material change in the controls or processes followed in the closing of these financial statements of the Company.

The Company has assessed the impact of the pandemic on its operations and its assets including the value of its investments and trade receivables as at March 31, 2020. The management does not, at this juncture, believe that the impact on the value of the Company's assets is likely to be material. However, since the revenue of the Company is ultimately dependent on the value of the assets it manages, changes in market conditions and the trend of flows into mutual funds may have an impact on the operations of the Company. Since the situation is rapidly evolving, its effect on the operations of the Company may be different from that estimated as at the date of approval of these financial results. The Company will continue to closely monitor material changes in markets and future economic conditions.

Note 41

Previous year figures have been regrouped / reclassified wherever necessary.

As per our report attached of even date

For B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration No. 101248W/W-100022

Akeel Master

Partner

Membership No. 046768

Mumbai, May 09, 2020

For and on behalf of the Board of Directors

Deepak S. Parekh

Chairman

(DIN: 00009078)

Piyush Surana

Chief Financial Officer

Milind Barve

Managing Director

(DIN: 00087839)

Sylvia Furtado

Company Secretary

(ACS: 17976)

CORPORATE INFORMATION

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Chartered Accountants,
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Apollo Mills Compound,
N.M. Joshi Marg, Mahalaxmi,
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REGISTERED OFFICE

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CORPORATE IDENTIFICATION NUMBER

CIN: L65991MH1999PLC123027

REGISTRAR AND SHARE TRANSFER AGENT (RTA)

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