



Ref/No/HDFCAMC/SE/2021-22/32

Date- June 22, 2021

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

**Sub: Notice of the 22<sup>nd</sup> Annual General Meeting (AGM) and Annual Report 2020-21**

Pursuant to Regulations 30 and 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Notice of the 22<sup>nd</sup> AGM and the Annual Report for the financial year 2020-21 for your information and records. In compliance with relevant circulars issued by Ministry of Corporate Affairs and the Securities and Exchange Board of India, the Notice of the AGM along with the Annual Report are sent only by email to those Members whose email addresses are registered with the Company / Depository Participant(s). Additionally, the Notice of the AGM and the Annual Report are also being uploaded on the website of the Company at [www.hdfcfund.com](http://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 09, 2021 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 Friday, July 16, 2021 at 3.00 p.m. (IST) through Video Conferencing / Other Audio Visual Means.

This is for your information and records.

Thanking you,

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

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

Encl: a/a

**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](http://www.hdfcfund.com) email: [shareholders.relations@hdfcfund.com](mailto:shareholders.relations@hdfcfund.com)



## Notice

### HDFC Asset Management Company Limited

CIN: L65991MH1999PLC123027

Regd. Office: "HDFC House", 2nd Floor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai – 400 020.  
 Website: [www.hdfcfund.com](http://www.hdfcfund.com); E-mail: [shareholders.relations@hdfcfund.com](mailto:shareholders.relations@hdfcfund.com); Tel: +91(22)6631 6333; Fax: +91(22)6658 0203.

**Notice** is hereby given that the Twenty-Second Annual General Meeting of the Members of HDFC Asset Management Company Limited ("the Company") will be held on Friday, July 16, 2021, at 3.00 p.m. (IST) 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, 2021 and the Reports of the Board of Directors and Auditors thereon.

##### Item No. 2: Declaration of Dividend

To declare a dividend of ₹34/- per equity share for the financial year ended March 31, 2021.

##### Item No. 3: Re-appointment of Mr Keki Mistry

To appoint a director in place of Mr Keki Mistry (DIN: 00008886), who retires by rotation and being eligible, seeks re-appointment.

##### Item No. 4: Re-appointment of Ms Renu Karnad

To appoint a director in place of Ms Renu Karnad (DIN: 00008064), who retires by rotation and being eligible, seeks re-appointment.

#### SPECIAL BUSINESS:

##### Item No. 5: Approval for appointment of Mr Rushad Abadan as Non-Executive Non-Independent Director

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

**"RESOLVED THAT** pursuant to the provisions of Section 152 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") and the Rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, SEBI (Mutual Funds) Regulations, 1996 (including any

statutory modification(s) or re-enactment(s) thereof for the time being in force), Mr Rushad Abadan (DIN: 08035538) who was appointed by the Board of Directors as an Additional (Non-Executive Non-Independent) Director with effect from January 21, 2021 and who holds office up to the date of this Annual General Meeting in terms of Section 161(1) of the Act and Article 130 of the Articles of Association of the Company and being eligible for appointment, and in respect of whom the Company has received a notice in writing from a member of the Company under Section 160 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director (Non-Executive Non-Independent) of the Company, liable to retire by rotation."

##### Item No. 6: Approval for re-appointment of Mr Milind Barve as Managing Director of the Company for a period effective from February 1, 2021 up to February 15, 2021

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 period effective from February 1, 2021 up to February 15, 2021 on the terms and conditions including remuneration as set out in the Explanatory Statement annexed to this Notice convening this meeting."

**"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.”

**Item No. 7: Approval for appointment of Mr Navneet Munot as the Managing Director & Chief Executive Officer of the Company**

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

**“RESOLVED THAT** pursuant to the provisions of Section 152 and other applicable provisions, if any, of the Companies Act, 2013 (“the Act”), and the Rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, SEBI (Mutual Funds) Regulations, 1996 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), Mr Navneet Munot (DIN: 05247228) who was appointed by the Board of Directors as an Additional Director with effect from February 16, 2021 and who holds office up to the date of this Annual General Meeting (“AGM”) in terms of Section 161(1) of the Act and Article 130 of the Articles of Association of the Company and being eligible for appointment, and in respect of whom the Company has received a notice in writing from a member of the Company under Section 160 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company.”

**“RESOLVED FURTHER 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 Act 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 appointment of Mr Navneet Munot (DIN: 05247228) as the Managing Director & Chief Executive Officer of the Company, not liable to retire by rotation, for a period effective from February 16, 2021 up to June 30, 2024 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/or vary the terms and conditions of the said 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 amendments or modification(s) or re-enactment(s) thereof, for the time being in force) and any other applicable laws.”

**“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, April 27, 2021

**NOTES:**

1. **In view of the continuing COVID-19 pandemic, the Ministry of Corporate Affairs ("MCA") has allowed the Company to conduct Annual General Meeting through video conferencing ("VC") or other audio-visual means ("OAVM"). In this regard, MCA issued Circular No. 14/2020 dated April 8, 2020, Circular No.17/2020 dated April 13, 2020, Circular No.20/2020 dated May 5, 2020 and Circular No.02/2021 dated January 13, 2021 ("MCA Circulars"), prescribing the procedure and manner of conducting the Annual General Meeting through VC/ OAVM. Further, the Securities and Exchange Board of India ("SEBI") also vide its Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 and Circular No. SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021 ("SEBI Circulars") has provided certain relaxations from compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") due to the COVID-19 pandemic. In compliance with the applicable provisions of the Companies Act 2013 ("Act"), MCA Circulars and SEBI Circulars / Listing Regulations and keeping in view with Government advisories on COVID-19, the Board of Directors has approved conducting of the 22nd Annual General Meeting (AGM) of the Company through VC / OAVM.**
2. As the AGM shall be conducted through VC / OAVM, the facility for appointment of Proxy by the Members is not available for this AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
3. An Explanatory Statement pursuant to Section 102 of the Act setting out material facts relating to business under item numbers 5 to 7 to be transacted at the meeting, is annexed hereto and forms part of this Notice.
4. Information with regard to Mr Keki Mistry, Ms Renu Karnad, Mr Rushad Abadan, Mr Milind Barve and Mr Navneet Munot as stipulated under the Listing Regulations and the applicable Secretarial Standard(s), 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, the resolutions as set out in the notice are being conducted through e-voting, and therefore the said resolutions will not be decided on a show of hands at the AGM.
6. Members attending the AGM through VC / OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
7. A dividend of ₹ 34/- per equity share has been recommended by the Board of Directors for the financial year ended March 31, 2021, 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 Thursday, July 1, 2021 to Friday, July 16, 2021 (both days inclusive) for determining the entitlement of the members to the dividend, for financial year ended March 31, 2021.
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 dematerialised form with a depository. Members holding shares in physical form are requested to dematerialise 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, e-mail 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 e-mail address, mobile number and bank details to their Depository Participant(s) (DP), in case the same are not updated.
11. 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 17, 2021.
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 E-mail at [einward.ris@kfintech.com](mailto: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 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 detailed information on the same, please refer the Company's website at <https://www.hdfcfund.com/about-us/governance/dividend>
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 dematerialised form are also advised to contact their Depository Participant for recording the nomination in respect of their holdings.

18. All documents, transmission, transposition, dematerialisation 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,  
 Financial District, Nanakramguda,  
 Serilingampally Mandal,  
 Hyderabad – 500032, Telangana  
 Toll Free No.: 1800-309-4001  
 E-mail: [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com)  
 Website: <https://www.kfintech.com> or  
<https://ris.kfintech.com/>

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

19. Pursuant to the provisions of the Listing Regulations, the Company is maintaining an E-mail ID, [shareholders.relations@hdfcfund.com](mailto:shareholders.relations@hdfcfund.com) exclusively for prompt redressal of members/ investors grievances.
20. In compliance with the aforesaid MCA Circulars and SEBI circulars, Notices of the AGM along with the Annual Report 2020-21 are being sent only through electronic mode to those Members whose E-mail addresses are registered with the Company/Depositories. Members may note that the Notice and Annual Report 2020-21 will also be available on the Company's website [www.hdfcfund.com](http://www.hdfcfund.com), websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com), respectively, and on the website of KFintech at <https://evoting.kfintech.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 Statement shall be available for inspection through electronic mode, basis the request being sent on [shareholders.relations@hdfcfund.com](mailto:shareholders.relations@hdfcfund.com).
22. Since the AGM will be held through VC / OAVM means, the Route Map is not annexed in this Notice. The Registered Office of the Company will be deemed to be the venue of the AGM. Pursuant to Regulation 44(6) of SEBI Listing Regulations, the Company shall provide live webcast of proceedings of AGM from 3.00 p.m. onwards on July 16, 2021. Members can view the proceedings of AGM by logging on to the e-voting website of KFintech at <https://emeetings.kfintech.com/> using their remote e-voting credentials, where the E-voting Event Number ("EVEN") of Company will be displayed.
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 12, 2021 and will end at 5.00 p.m. on July 15, 2021.  
  
The Company has appointed Mr Surjan Singh Rauthan (C.P. 3233) Proprietor of S. S. Rauthan & Associates, Practicing Company Secretaries to act as the Scrutiniser,



to scrutinize the entire e-voting process at the AGM and remote e-voting in a fair and transparent manner.

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

## PROCEDURE FOR REMOTE E-VOTING

- i. In compliance with the provisions of Section 108 of the Act read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended from time to time, Regulation 44 of the Listing Regulations and in terms of SEBI vide circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020 in relation to e-Voting Facility Provided by Listed Entities, the Members are provided with the facility to cast their vote electronically, through the e-Voting services provided by KFintech, on all the resolutions set forth in this Notice. The instructions for e-Voting are given herein below.
- ii. Pursuant to SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020 on "e-Voting facility provided by Listed Companies", e-Voting process has been enabled to all the **individual demat account holders**, by way of single login credential, through their demat accounts / websites of Depositories/ DPs in order to increase the efficiency of the voting process.
- iii. Individual demat account holders would be able to cast their vote without having to register again with the e-Voting service provider (ESP) thereby not only facilitating seamless authentication but also ease and convenience of participating in e-Voting process. Shareholders are advised to update their mobile number and e-mail ID with their DPs to access e-Voting facility.

- iv. The remote e-Voting period commences on July 12, 2021 at 10 a.m.
- v. The voting rights of Members shall be in proportion to their shares in the paid-up equity share capital of the Company as on the cut-off date.
- vi. Any person holding shares in physical form and non-individual shareholders, who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date, may obtain the login ID and password by sending a request at [evoting@kfintech.com](mailto:evoting@kfintech.com). However, if he / she is already registered with KFintech for remote e-Voting then he /she can use his / her existing User ID and password for casting the vote.
- vii. In case of Individual Shareholders holding shares in demat mode and who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date may follow steps mentioned below under "Login method for remote e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode".
- viii. The details of the process and manner for remote e-Voting are explained herein below:

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

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

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

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

### Login method for remote e-Voting for Individual shareholders holding securities in demat mode.

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL	<p><b>1. User already registered for IDeAS facility:</b></p> <ol style="list-style-type: none"> <li>I. Visit URL: <a href="https://eservices.nsdl.com">https://eservices.nsdl.com</a></li> <li>II. Click on the "Beneficial Owner" icon under "Login" under 'IDeAS' section.</li> <li>III. On the new page, enter User ID and Password. Post successful authentication, click on "Access to e-Voting"</li> <li>IV. Click on company name or e-Voting service provider and you will be re-directed to e-Voting service provider website for casting the vote during the remote e-Voting period.</li> </ol> <p><b>2. User not registered for IDeAS e-Services</b></p> <ol style="list-style-type: none"> <li>I. To register click on link: <a href="https://eservices.nsdl.com">https://eservices.nsdl.com</a></li> <li>II. Select "Register Online for IDeAS" or click at <a href="https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp">https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp</a></li> <li>III. Proceed with completing the required fields.</li> <li>IV. Follow steps given in point 1.</li> </ol>

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

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

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

Login type	Helpdesk details
Securities held with NSDL	Please contact NSDL helpdesk by sending a request at <a href="mailto:evoting@nsdl.co.in">evoting@nsdl.co.in</a> or call at toll free no.: <b>1800 1020 990</b> or <b>1800 22 44 30</b>
Securities held with CDSL	Please contact CDSL helpdesk by sending a request at <a href="mailto:helpdesk.evoting@cdslindia.com">helpdesk.evoting@cdslindia.com</a> or contact at <b>022- 23058738</b> or <b>022-23058542-43</b>

## Details on Step 2 are mentioned below:

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

(A) Members whose E-mail IDs are registered with the Company/Depository Participant(s), will receive an E-mail from KFinTech which will include details of E-Voting Event Number (EVEN), USER ID and password. Members are requested to follow the following process:

- i. Launch internet browser by typing the URL: <https://emeetings.kfintech.com/>
- ii. Enter the login credentials (i.e. User ID and password). In case of physical folio, User ID will be EVEN (E-Voting Event Number) xxxx, followed by folio number. In case of Demat account, User ID will be your DP ID and Client ID. However, if you have already registered with KFinTech for e-voting, you can use your existing User ID and password for casting the vote.
- iii. After entering these details appropriately, click on "LOGIN".
- iv. You will now reach password change Menu wherein you are required to mandatorily change your password. The new password should comprise 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, E-mail 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 account.
- 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 required to send scanned certified true copy (PDF Format) of the Board Resolution/Authority Letter etc., authorising its representative to attend the AGM through VC / OAVM on its behalf and to cast its vote through remote e-voting together with attested specimen signature(s) of the duly authorised representative(s), to the Scrutiniser at e-mail ID [ssrauthan@ssrgroupindia.in](mailto:ssrauthan@ssrgroupindia.in) with a copy marked to [evoting@kfintech.com](mailto:evoting@kfintech.com). The scanned image of the abovementioned documents should be in the naming format "Corporate Name Even No."

- (B) Members whose E-mail 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, may temporarily get their E-mail address and mobile number provided with KFinTech, by accessing the link: <https://ris.kfintech.com/clientservices/mobilereg/mobileemailreg.aspx>

Members are requested to follow the process as guided to capture the E-mail 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](mailto:einward.ris@kfintech.com).

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

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



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

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

- i. Member will be provided with a facility to attend the AGM through VC / OAVM platform provided by KFintech. Members may access the same at <https://emeetings.kfintech.com/> by using the e-voting login credentials provided in the E-mail received from the Company/ KFintech. After logging in, click on the Video Conference tab and select the EVEN of the Company. Click on the video symbol and accept the meeting etiquettes to join the meeting. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned above.
- ii. Facility for joining AGM through VC/ OAVM shall open at least 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, Mozilla Firefox 22.
- iv. Members will be required to grant access to the webcam to enable VC / OAVM. Further, Members connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/ Video loss due to fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
- v. As the AGM is being conducted through VC / OAVM, for the smooth conduct of proceedings of the AGM, Members are encouraged to express their views / send their queries in advance mentioning their name, demat account number / folio number, E-mail id, mobile number at [shareholders.relations@hdfcfund.com](mailto:shareholders.relations@hdfcfund.com). Questions / queries received by the Company till Friday, July 9, 2021, shall only be considered and responded during the AGM.
- vi. The Members who have not cast their vote through remote e-voting shall be eligible to cast their vote through e-voting system available during the AGM. E-voting during the AGM is integrated with the VC / OAVM platform. The Members may click on the voting icon displayed on the screen to cast their votes.
- vii. A Member can opt for only single mode of voting i.e., through Remote e-voting or voting at the AGM. If a Member casts votes by both modes, then voting done through Remote e-voting shall prevail and vote at the AGM shall be treated as invalid.

- viii. Facility of joining the AGM through VC / OAVM shall be available for atleast 2000 members on first come first served basis.
- ix. Institutional Members are encouraged to attend and vote at the AGM through VC / OAVM.

**OTHER INSTRUCTIONS**

- I. **Speaker Registration:** The Members who wish to speak during the meeting may register themselves as speakers for the AGM to express their views. They can visit <https://emeetings.kfintech.com> and login through the user id and password provided in the mail received from KFintech. On successful login, select 'Speaker Registration' which will open during the remote e-voting period. The Company reserves the right to restrict the speakers at the AGM to only those Members who have registered themselves, depending on the availability of time for the AGM.
- II. In case of any query and/or grievance, in respect of voting by electronic means, Members may refer to the Help & Frequently Asked Questions (FAQs) and E-voting user manual available at the download section of <https://evoting.kfintech.com> (KFintech Website) or write to [evoting@kfintech.com](mailto:evoting@kfintech.com) or call KFintech's toll free no. 1-800-3094-001 for any further clarifications.
- III. The Members, whose names appear in the Register of Members / list of Beneficial Owners as on Friday, July 9, 2021, 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.
- IV. In case a person has become a Member of the Company after dispatch of AGM Notice but on or before the cut-off date for E-voting, he/she may obtain the User ID and Password in the manner as mentioned below:
  - i. If the mobile number of the member is registered against Folio No./ DP ID Client ID, the member may send SMS: MYEPWD <space> E-Voting Event Number+Folio No. or DP ID Client ID to 9212993399
    1. Example for NSDL:
    2. MYEPWD <SPACE> IN12345612345678
    3. Example for CDSL:
    4. MYEPWD <SPACE> 1402345612345678
    5. Example for Physical:
    6. MYEPWD <SPACE> XXXX1234567890

- ii. If e-mail address or mobile number of the member is registered against Folio No. / DP ID Client ID, then on the home page of <https://evoting.kfintech.com/>, the member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.
- iii. Members who may require any technical assistance or support before or during the AGM are requested to contact KFintech at toll free number 1-800-309-4001 or write to them at [evoting@kfintech.com](mailto:evoting@kfintech.com).

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

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

### **ITEM NO. 5**

Pursuant to the provisions of Section 161 of the Companies Act, 2013 (the Act) and the Articles of the Association of the Company, the Board of Directors of the Company, on the recommendation of the Nomination & Remuneration Committee has appointed Mr Rushad Abadan (DIN: 08035538) as an Additional (Non-Executive Non-Independent) Director with effect from January 21, 2021 to hold such office up to the date of the ensuing AGM and is eligible for appointment as Director.

Mr Rushad Abadan has been nominated by Standard Life Investments Limited (SLI), one of the Promoters of the Company. The profile and other details of Mr Abadan are set out in the Annexure to the Notice. The Board of Directors also considers that based on his varied experience, his association would be of immense benefit to the Company. It is therefore proposed to appoint Mr Rushad Abadan as a Non-Executive Non-Independent Director on the Board of the Company. He shall be liable to retire by rotation.

The Company has received from Mr Abadan (i) consent in writing to act as Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and (ii) intimation in Form DIR-8 pursuant to the Companies (Appointment and Qualification of Directors) Rules, 2014, to the effect that he is not disqualified under Section 164(2) of the Act. The Company has also ensured that he is not debarred from holding the office of a director by virtue of any SEBI order or any such other authority.

The Company has received a notice in writing from a member under Section 160 of the Act proposing the candidature of Mr Rushad Abadan for appointment as a Non-Executive Non-Independent Director of the Company.

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

Except for Mr Abadan 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 said resolution.

### **ITEM NO. 6**

The Members of the Company had at the Annual General Meeting held on July 23, 2020, approved the re-appointment of Mr Milind Barve as the Managing Director of the Company for a period commencing from November 1, 2020 to January 31, 2021.

The Board of Directors of the Company had approved the selection of Mr Navneet Munot as the successor to Mr Milind Barve for the Managing Director's position of the Company at its meeting held on November 16, 2020. Mr Navneet Munot had communicated his joining date as February 16, 2021 as he was serving his notice period in his previous organisation. Accordingly, Mr Milind Barve's term had been extended for a further period of 15 days from the date of expiry of his term i.e. January 31, 2021, to ensure a smooth transition of the business activities and handover to the successor.

Accordingly, the Board of Directors at its meeting held on January 20, 2021, 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 February 1, 2021 up to February 15, 2021, subject to the approval of the Members and other approvals as may be required. Mr Milind Barve has served his 15 days of extended period and his tenure as the Managing Director of the Company duly came to an end with effect from the close of business hours of February 15, 2021.

The terms and conditions of re-appointment including remuneration of Mr Barve had been approved and recommended by the Nomination & Remuneration Committee of the Company. His re-appointment and remuneration was 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 of Mr Barve, more particularly set out in the agreement executed by and between the Company and Mr Milind Barve, are briefly mentioned hereunder:

- (a) Salary and other benefits during the term:
  - The gross salary 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 (NRC), 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 centres;
  - 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/NRC). The perquisites shall be valued as per the Income Tax Act, 1961, wherever applicable.
- (b) Post retirement benefits for Mr Milind Barve and his spouse shall be in the form of facilities (i) medical benefits and usage of Company's guest house for family and guests as per Company's policy; (ii) arrangement for housekeeping staff at residence and for undertaking repairs, maintenance and upkeep at residence; (iii) transfer of club membership and (iv) such other benefits and facilities in accordance with the schemes framed/to be framed by the Company and as approved by the Nomination & Remuneration Committee, from time to time. Mr Milind Barve and his spouse shall bear the costs and expenses incurred for housekeeping staff, repairs, maintenance and upkeep at residence including remuneration for such staff and personnel, at actuals.
- (c) On retirement, Mr Milind Barve would also be entitled to purchase the car that has been allotted to him by the Company at market value.
- (d) 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.

A copy of the Agreement executed by the Company with Mr Barve 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, for a further period effective from February 1, 2021 up to February 15, 2021. 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 sub-section (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 passing of the ordinary resolution as set out at Item No. 6 of this Notice, for the approval of the Members.

None of the 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 Board of Directors of the Company at its meeting held on January 20, 2021, based on the recommendation of the Nomination & Remuneration Committee, had approved the appointment of Mr Navneet Munot (DIN: 05247228) as an Additional Director on Board of Directors of the Company with effect from February 16, 2021 in terms of Section 161 of the Companies Act, 2013 ("the Act") to hold the office up to the date of the ensuing Annual General Meeting and is eligible to be appointed as Director. The Company has, in terms of Section 160 of the Act, received in writing a notice from a member, proposing his candidature for the office of Director.

At the aforesaid meeting, the Board of Directors, based on recommendation of the Nomination & Remuneration Committee, appointed Mr Navneet Munot as the Managing Director & Chief Executive Officer of the Company, not liable to retire by rotation, for a period effective from February 16, 2021 up to June 30, 2024, subject to the approval of the members of the Company. Accordingly, the Company had entered into an agreement dated February 11, 2021 (hereinafter referred to as the "Principal Agreement") with Mr Munot incorporating the terms and conditions of his appointment as the Managing Director & Chief Executive Officer of the Company including his remuneration.

Further, the Board of Directors of the Company at its meeting held on February 22, 2021, based on the recommendation of the Nomination & Remuneration Committee, approved revision in remuneration payable to Mr Munot as Managing Director & Chief Executive Officer of the Company effective from February 16, 2021. Mr Munot's remuneration was revised in February, 2021 to align it with the Company's annual increment to its employees including the Senior Management Personnel. Accordingly, the Company had entered into an addendum agreement dated February 22, 2021 to the Principal Agreement by incorporating the revised remuneration payable to Mr Navneet Munot effective from February 16, 2021.

His appointment and remuneration is fixed in accordance with the provisions of Sections 196, 197 and Schedule V to the Act. The terms and conditions of the appointment including remuneration payable to Mr Munot, more particularly set out in the Principal agreement and addendum agreement

executed by and between the Company and Mr Munot are briefly mentioned hereunder:

**For the period effective from February 16, 2021 up to June 30, 2024:**

a) Salary –

The gross salary payable to Mr Navneet Munot shall be in the range of ₹ 34,00,000/- to ₹ 50,00,000/- per month. It shall include House Rent allowance, Conveyance Allowance and personal pay but shall not include cost of other allowances/benefits and statutory contributions. The gross salary will be subject to an annual increase, which will be within the range as stated above, starting from April 1st of financial year 2022-23 and the quantum will be decided by the Board of Directors on the recommendation of the Nomination & Remuneration Committee (“NRC”). The annual increase may be subject to such other variations as may be decided by the Board on the recommendation of the NRC from time to time.

b) Commission (performance related bonus) per annum shall be equivalent to such sum as may be fixed by the Board of Directors or NRC, subject to a ceiling of 1% of the net profits of the Company.

c) Expenses incurred for travelling, boarding, lodging, conveyance, etc. during business trips and communication expenses for the business purpose shall be reimbursed at actuals and not be considered as perquisites.

d) He shall be entitled to club memberships subject to a maximum of two clubs and also club membership of hotels / business centres.

e) He shall be entitled to other benefits which 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), any insurance premium paid for health and life as per the Company’s policies, mobile handset and monthly plan reimbursement as per Company’s policy, 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 allowance and other benefits as may be approved by the NRC/ Board from time to time). The perquisites shall be valued as per the Income Tax Act, 1961, wherever applicable.

f) He shall also be eligible for stock options under the Company’s Employee Stock Option Scheme(s) as may be approved by the NRC, from time to time.

g) The scope and quantum of remuneration, benefits and amenities specified hereinabove, may be enhanced, enlarged, widened, altered or varied by the Board in the light of and in conformity with any amendments

to the relevant provisions of the Companies Act, 2013 and/or the rules and regulations made thereunder and/or such guidelines as may be notified by the regulatory authorities from time to time.

h) The total remuneration payable to Mr Navneet Munot including salary, commission, one time payment 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.

i) Subject to the provisions of the Act, while Mr Navneet Munot continues to hold office of the Managing Director & Chief Executive Officer, he 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 & Chief Executive Officer, if he ceases to hold office of a Director due to any cause.

j) The said Agreements also contain other standard terms and conditions of employment, such as duties and responsibilities, representations and warranties, confidentiality and intellectual property rights protection, indemnity, term and termination, non-compete and non-solicitation, data protection, etc.

Currently, the gross salary payable to Mr Navneet Munot up to March 31, 2022 is ₹ 34,06,300/- per month (excluding benefits and statutory contributions such as employee provident fund, leave travel allowance and gratuity), which is within the overall range as stated above. A commission (performance related bonus) of ₹ 2.75 crores was paid to him for financial year 2020-21 and the same is within the 1% of the net profits of the Company as stated above. He was also paid a one time payment of ₹ 12.46 crores and the same was approved by the Board of Directors of the Company on the recommendation of NRC, at its meeting held on January 20, 2021.

A copy of the aforesaid Agreements executed by the Company with Mr Munot are kept and available for inspection.

It is proposed to seek Members’ approval for the appointment of and remuneration payable to Mr Munot as stated above, in terms of the applicable provisions of the Act. Brief profile of Mr Navneet Munot, his experience, qualifications and other details have been included in the Annexure to this Notice. The Company has received from Mr Munot his consent in writing to act as a Director of the Company, in Form DIR-2. Mr Munot satisfies all the conditions set out in Part-I of Schedule V to the Act as also conditions set out under sub-section (3) of Section 196 of the Act for being eligible for this 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 passing of the ordinary resolution as set out at Item No. 7 of this Notice, for the approval of the Members.

Except for Mr Munot 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. 7 of this Notice.

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 Keki Mistry (DIN: 00008886)	Ms Renu Karnad (DIN: 00008064)	Mr Rushad Abadan (DIN: 08035538)	Mr Milind Barve (DIN: 00087839)	Mr Navneet Munot (DIN: 05247228)
<b>Date of Birth</b>	November 7, 1954	September 3, 1952	October 27, 1973	November 13, 1957	August 16, 1971
<b>Age</b>	66 years	68 years	47 years	63 years	49 years
<b>Original Date of Appointment</b>	December 24, 2007	July 04, 2000	January 21, 2021	July 04, 2000	February 16, 2021
<b>Qualification</b>	Fellow of the Institute of Chartered Accountants of India	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.	Bachelor of Commerce, Sydenham College, Mumbai; L.L.B., Government Law College, Mumbai; Solicitor, India; Solicitor, England and Wales	Bachelor's degree in Commerce from University of Poona and Fellow of the Institute of Chartered Accountants of India	Masters degree in Accountancy and Business Statistics and qualified Chartered Accountant. Charter holder of CFA Institute and CAIA Institute and done Financial Risk Management (FRM)
<b>Brief Profile/ Experience including expertise in specific functional areas</b>	Mr Mistry joined HDFC Ltd., one of our Promoters, in 1981. He was appointed as an Executive Director of HDFC Ltd. in 1993, as the Deputy Managing Director in 1999 and as the Managing Director in 2000. He was re-designated as the Vice Chairman and Managing Director of HDFC Ltd. in October 2007 and as the Vice Chairman and Chief Executive Officer, with effect from January 1, 2010. He was also a member of the Committee of Corporate Governance set up by the Securities and Exchange Board of India (SEBI). He is the Chairman of CII National Council on Corporate Governance and a member of Primary Markets Advisory Committee set up by the SEBI.	Ms Karnad joined HDFC Ltd., one of our Promoters, in 1978. She was inducted onto its board as Executive Director in 2000. She grew to become Joint Managing Director in 2007 and has been elevated to the post of Managing Director w.e.f. January 1, 2010. Ms Karnad is in-charge of the lending operations of HDFC Ltd and is responsible for spearheading HDFC's expansion. She also has under her fold the Human Resources and Communications functions. Ms. Karnad is the President of the International Union for Housing Finance (IUHF), an association of global housing finance firms.	Mr Abadan joined Standard Life Aberdeen plc as its Group General Counsel in January 2016. He is a member of the Executive Leadership Team and holds executive responsibility for the group's global legal and governance function. Prior to this, Mr Abadan held several senior positions in another significant financial institution, NatWest Group (previously Royal Bank of Scotland Group), including Group Deputy General Counsel and General Counsel Corporate and M&A. Mr Abadan also has previous experience as a M&A and private equity counsel with Indian law firms Crawford Bayley & Co. and DSK Legal, and subsequently with the UK law firm, CMS.	Mr Barve was the Managing Director of the Company since July 4, 2000. He was associated with HDFC Ltd. 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.	Mr Munot is the Managing Director & Chief Executive Director of the Company since February 16, 2021. He has 27 years of rich experience in financial services. Prior to this, he worked with SBI Funds Management Private Limited as an Executive Director and CIO and was a key member of the Executive Committee since December 2008. As the CIO, he was responsible for overseeing investments over \$ 150 billion across various asset classes in mutual funds and segregated accounts. He was also a nominee director on the Board of SBI Pension Funds Private Limited.  Mr Munot started his career in 1994 with Aditya Birla Group. He then joined Birla Global Finance Limited and worked in various spheres of financial services business. He had a brief stint in the sell-side with Birla Sunlife Securities Limited.



Name of the Director	Mr Keki Mistry (DIN: 00008886)	Ms Renu Karnad (DIN: 00008064)	Mr Rushad Abadan (DIN: 08035538)	Mr Milind Barve (DIN: 00087839)	Mr Navneet Munot (DIN: 05247228)
					As the Chief Investment Officer (CIO) for fixed income and hybrid funds in Birla Sunlife Mutual fund, he played an important role in business development while delivering consistent risk-adjusted returns. He moved to Morgan Stanley Investment Management in 2007 as an Executive Director and head of multi-strategy boutique and then joined SBI Funds Management Private Ltd in December 2008. Presently, he is the Chairman of the Board of Indian Association of Investment Professionals (CFA society, India).
<b>Directorships held in other companies</b>	<ul style="list-style-type: none"> <li>• Housing Development Finance Corporation Limited</li> <li>• HDFC Life Insurance Company Limited</li> <li>• HDFC Ergo General Insurance Company Limited</li> <li>• Torrent Power Limited</li> <li>• Tata Consultancy Services Limited</li> <li>• H T Parekh Foundation</li> <li>• Foreign Companies –</li> <li>• Griha Investments, Mauritius</li> <li>• Griha Pte. Ltd., Singapore</li> <li>• Flipkart Private Limited, Singapore</li> </ul>	<ul style="list-style-type: none"> <li>• Housing Development Finance Corporation Limited</li> <li>• ABB India Limited</li> <li>• HDFC Life Insurance Company Limited</li> <li>• GlaxoSmithKline Pharmaceuticals Limited</li> <li>• Unitech Limited</li> <li>• HDFC Bank Limited</li> <li>• HDFC Ergo General Insurance Company Limited</li> <li>• Bangalore International Airport Limited</li> <li>• H T Parekh Foundation</li> <li>• Foreign Companies –</li> <li>• HIREF International LLC.</li> <li>• HIREF International Fund II Pte. Ltd.</li> <li>• HIF International Fund Pte. Ltd.</li> </ul>	-	-	<ul style="list-style-type: none"> <li>• Indian Association of Investment Professionals</li> <li>• Association of Mutual Funds in India</li> </ul>



Name of the Director	Mr Keki Mistry (DIN: 00008886)	Ms Renu Karnad (DIN: 00008064)	Mr Rushad Abadan (DIN: 08035538)	Mr Milind Barve (DIN: 00087839)	Mr Navneet Munot (DIN: 05247228)
<b>Memberships/ Chairmanships of committees of other companies*</b>	<b>Audit Committee – Chairman</b> <ul style="list-style-type: none"> <li>Tata Consultancy Services Limited</li> </ul> <b>Audit Committee – Member</b> <ul style="list-style-type: none"> <li>HDFC Life Insurance Company Limited</li> <li>HDFC Ergo General Insurance Company Limited</li> <li>Torrent Power Limited</li> <li>H T Parekh Foundation</li> <li>Flipkart Private Limited, Singapore</li> </ul> <b>Stakeholders Relationship Committee – Chairman</b> <ul style="list-style-type: none"> <li>HDFC Life Insurance Company Limited</li> </ul> <b>Stakeholders Relationship Committee – Member</b> <ul style="list-style-type: none"> <li>Tata Consultancy Services Limited</li> </ul>	<b>Audit Committee – Chairman</b> <ul style="list-style-type: none"> <li>Bangalore International Airport Limited</li> </ul> <b>Audit Committee – Member</b> <ul style="list-style-type: none"> <li>ABB India Limited</li> <li>HDFC Life Insurance Company Limited</li> <li>GlaxoSmithKline Pharmaceuticals Limited</li> <li>H T Parekh Foundation</li> </ul> <b>Stakeholders Relationship Committee – Chairperson</b> <ul style="list-style-type: none"> <li>GlaxoSmithKline Pharmaceuticals Limited</li> </ul> <b>Stakeholders Relationship Committee – Member</b> <ul style="list-style-type: none"> <li>ABB India Limited</li> <li>HDFC Bank Limited</li> <li>Unitech Limited</li> </ul>	-	-	-
<b>Number of shares held in the Company</b>	1,68,320 equity shares	1,68,320 equity shares	Nil	1,040,000 equity shares	Nil
<b>Terms &amp; Conditions of appointment/ re-appointment</b>	Liable to retire by rotation	Liable to retire by rotation	Liable to retire by rotation	Approval of Members has been sought for his re-appointment (Extension of the term) as Managing Director for a period of 15 days from February 1, 2021 up to February 15, 2021 For more details, please refer Explanatory Statement	Approval of Members has been sought for his appointment as Managing Director & Chief Executive Officer for a period with effect from February 16, 2021 to June 30, 2024 For more details, please refer Explanatory Statement
<b>Remuneration sought to be paid</b>	Sitting fees and commission	Sitting fees and commission	-	Please refer Explanatory Statement	Please refer Explanatory Statement

\* includes Chairmanship/ membership of the Audit Committee and the Stakeholders Relationship Committee.

Notes:

- None of the Directors and Key Managerial Personnel of the Company are related to each other.
- For details on remuneration last drawn and attendance of these directors at the Board meetings during the year, please refer to the Corporate Governance report which is a part of this Annual Report.

Your  
**TRUST**  
Our  
Benchmark

## Quick Facts

# Most Profitable

AMC in India

# Leading

Actively managed equity-oriented mutual fund manager in India

## Performance Highlights FY 20-21

Mutual Fund Assets Under Management (AUM)

₹ 3,95,476 Cr

↑ 23.94%

PMS & SMA AUM

₹ 9,735 Cr

↑ 14.1%

Profit After Tax

₹ 1,325.76 Cr

↑ 5.02%

Unique Investors

53 Lakh

Investor Service Centres (ISCs)

227

Live Accounts

90 Lakh

Employees

1,254

↑ Growth rate

1. All data as of March 31, 2021 unless stated otherwise

2. For details on Mutual Fund AUM, refer Page 6 & 7

3. ISCs include a representative office in Dubai

4. Actively managed equity-oriented mutual funds includes all solution oriented schemes/ portfolios and excludes index funds & ETFs

5. PMS & SMA AUM includes advisory mandates

# Your TRUST Our Benchmark

For more than two decades now, HDFC AMC has played an integral role in shaping the investment management industry in India. We are a one stop shop for individuals, families, corporates and institutions when it comes to their investments. This makes us one of the leading players in an industry that has the potential to grow exponentially.

So, how did we get here? Obviously, it is a lot about our ability to generate value and deliver returns by leveraging experience and expertise. But it is also about something far more precious than that.

## Trust.

Our customers entrust us with their savings in the belief of being able to meet their financial goals. Naturally, this creates a fiduciary relationship, where we inherently become trustees and their interests supersede ours. We treat the trust of 53 lakh customers as our benchmark and each day, strive harder to remain ahead of it.

We rely on our culture of transparency, good governance and effective risk management in order to do this. Supplementing these is our experienced team, well-established distribution, robust IT infrastructure and digital network, and a bouquet of products with long-term track record. This makes us confident of capitalising on opportunities in the Indian savings landscape. Our aspiration is to be a wealth creator for every Indian and our vision is to be the most respected asset manager in the world.

In this journey, we will continue to strive to remain ahead of the only benchmark that truly matters. Your trust.

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# HDFC AMC at a Glance

HDFC AMC is India's most profitable mutual fund manager, with an industry leading actively managed equity-oriented assets under management (AUM). Our total Mutual Fund AUM (as on March 31, 2021) of ₹ 3.96 Lakh Crore consists of a comprehensive suite of investment products, spanning asset classes and scheme categories to meet the various investment objectives of our large customer base of 53 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 & global institutions.

## Our Endeavor

**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 interest.**

## Our promoter shareholders

Our principal shareholders are Housing Development Finance Corporation Limited (HDFC) and Standard Life Investments Limited which own 52.7% and 21.2% stake (as on March 31, 2021), 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 multiple businesses
- The HDFC brand enjoys strong recall and trust among customers across generations

### HDFC Business Presence



Housing finance



Banking



Life and non-life insurance



Asset management



Real estate funds



Education finance

### Standard Life Investments (SLI)

- A subsidiary of Standard Life Aberdeen plc group.
- With employees in more than 40 locations worldwide, their operations extend across global financial capitals and important regional centres.
- The Company manages a total of \$635 Billion of assets on behalf of governments, pension funds, insurers, companies, charities, foundations and individuals across 80 countries (as at 31 December 2020).
- As a responsible global investor, the Company leverages its scale and market position to raise standards in both the companies and industries in which they invest, and help drive best practice across the asset management industry.

For details on Mutual Fund AUM, refer Page 6 & 7



# Our Investment Philosophy

Our position as one of India's leading asset management company is a result of our sound track record over the long term, supported by a well laid out investment philosophy and process coupled with risk management.

**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 43% of our total AUM as of March 31, 2021. 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 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 built capabilities by adding appropriate resources during the year. While we already have products which focus on different market capitalisations, we feel diversity in our investment style and approach will be in the long-term interest of customers and the 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

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 during the last three years due to default by a large NBFC & HFC, COVID-19 related credit stresses as well as shutting of several fixed income schemes by another mutual fund due to illiquidity of the underlying portfolios. Our fixed income schemes constituted 55% of our total AUM as of March 31, 2021. 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 a 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.



# 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.

<b>Equity-oriented</b> <span style="font-size: 2em; font-weight: bold;">24</span> schemes	<b>Debt-oriented</b> <span style="font-size: 2em; font-weight: bold;">68</span> schemes	<b>Liquid</b> <span style="font-size: 2em; font-weight: bold;">02</span> schemes	<b>Others</b> <span style="font-size: 2em; font-weight: bold;">07</span> schemes
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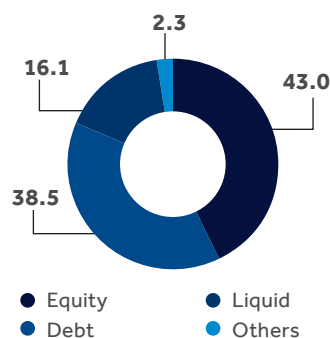
Equity-oriented includes all solution oriented schemes/portfolios

Others includes Arbitrage funds, Exchange Traded Funds (ETF) and Fund of Funds (FoF)

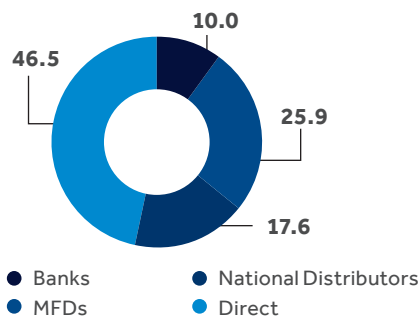
(₹ in crore)

Category of the scheme	AUM on last day of quarter	Average AUM for the quarter
Liquid Fund/Money Market Fund/ Floater Fund	92,067	1,04,304
Gilt Fund/ Glit Fund with 10 year constant duration	1,651	1,956
Remaining Income/ Debt Oriented Schemes	1,19,933	1,26,916
Growth/ Equity Oriented Schemes (Other than ELSS)	90,012	89,869
ELSS Funds	9,179	9,337
Hybrid Schemes	68,202	69,287
Solution Oriented Schemes	6,356	6,219
Index Funds	4,855	4,499
GOLD ETF	2,124	2,145
Other ETF	1,095	1,034
Fund of Fund investing overseas	-	-
<b>Total</b>	<b>3,95,476</b>	<b>4,15,566</b>

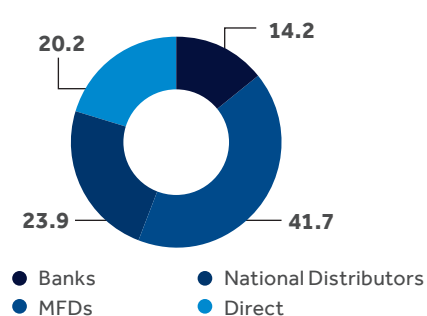
**Segment-Wise Break-Up (%)**



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



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

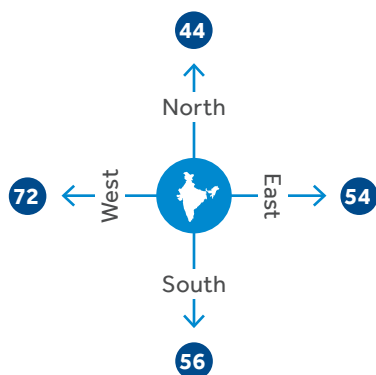


As on 31<sup>st</sup> March 2021

# 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



## Physical footprint ISCs

	T30	B30	Total
March 2017	66	100	166
March 2021	78	149	227

Including a representative office in Dubai

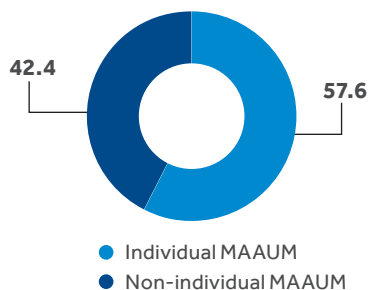
## Percentage of AUM by Geography

Top 5 Cities	69%
Next 10 Cities	14%
Next 20 Cities	6%
Next 75 Cities	9%
Others	2%

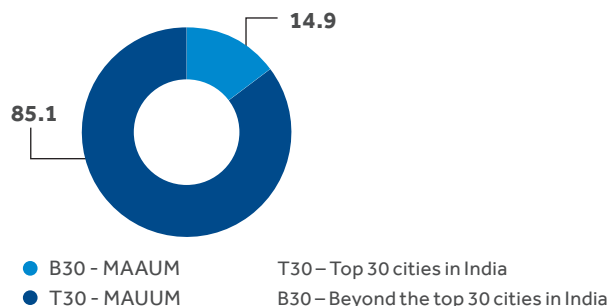
## Number of distribution partners



## Investor base break-up (%)



## Geography wise breakup (%)



As on 31<sup>st</sup> March 2021

# Key Terms used in 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 terms used frequently.

## Asset Under Management (AUM)

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

## Net Asset Value (NAV)

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

## Systematic Investment Plan (SIP)

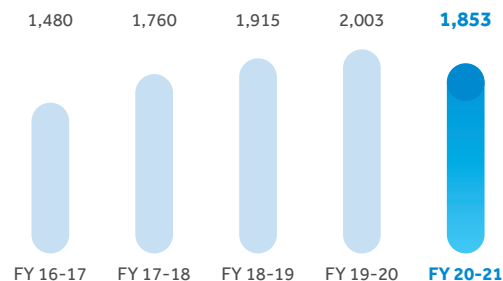
A mutual fund gives investors an option of either investing lump sum or through a SIP, breaking the amount into periodic investments over a long period. For example, if an investor wants to invest ₹60,000 annually in a mutual fund scheme and does not have the lump sum amount available, he/she can opt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



# Key Performance Indicators

## REVENUE FROM OPERATIONS

(₹ in Crore)

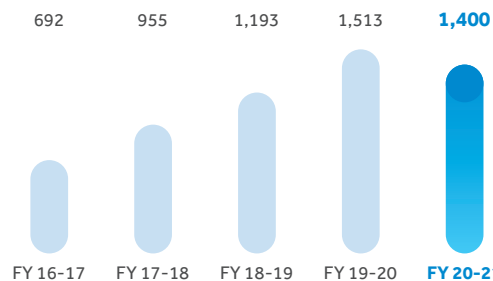


5-year CAGR

**5.13%**

## OPERATING PROFIT

(₹ in Crore)

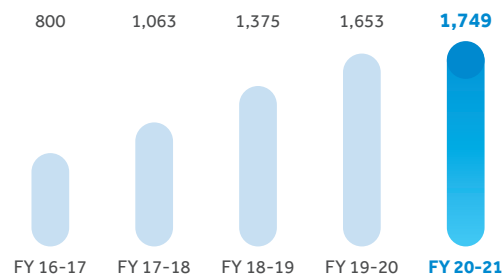


5-year CAGR

**16.35%**

## PROFIT BEFORE TAX

(₹ in Crore)

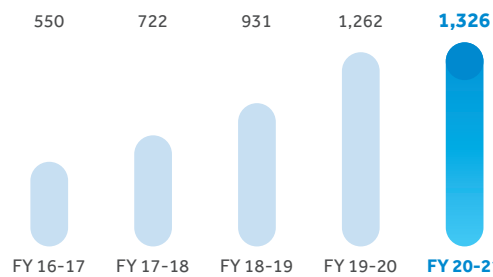


5-year CAGR

**19.82%**

## PROFIT AFTER TAX

(₹ in Crore)

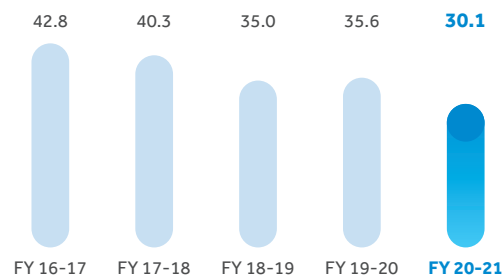


5-year CAGR

**22.64%**

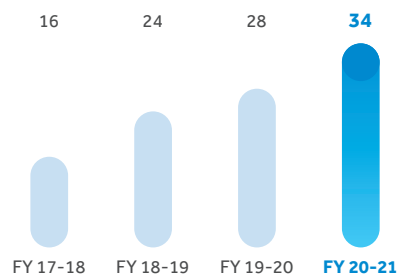
## RETURN ON EQUITY

(%)



## DIVIDEND PER SHARE

(₹)



Note -

- All data is as of March for each year, unless stated otherwise.
- FY 15-16 has been taken as the base year for CAGR calculation. Revenue from operations, operating profit, profit before tax and profit after tax in FY 15-16 were ₹ 1,442.55 Crore, ₹656.45 Crore, ₹708.25 Crore and ₹477.88 Crore respectively.
- The details from FY 15-16 to FY 17-18 considered here, are as reported in the financial statements of that year which were under earlier applicable accounting standards.
- Return on Equity from FY 16-17 to FY 17-18 was under earlier applicable accounting standards whereas for FY 18-19 onwards, it is under IndAS.
- Dividend for FY 20-21 is recommended by the Board of Directors on April 27, 2021 which is subject to shareholders' approval at the ensuing Annual General Meeting.



**ASSETS UNDER MANAGEMENT**

(₹ in Crore)

2,30,594    2,91,985    3,43,938    3,19,090    **3,95,476**FY 16-17    FY 17-18    FY 18-19    FY 19-20    **FY 20-21**

5-year CAGR

**19.02%****ACTIVE EQUITY AUM**

(₹ in Crore)

95,659    1,44,925    1,64,263    1,20,050    **1,65,381**FY 16-17    FY 17-18    FY 18-19    FY 19-20    **FY 20-21**

5-year CAGR

**21.31%****SYSTEMATIC TRANSACTIONS**

(₹ in Crore)

677    1,153    1,182    1,130    **1,035**FY 16-17    FY 17-18    FY 18-19    FY 19-20    **FY 20-21****LIVE INDIVIDUAL ACCOUNTS**

(₹ in Lakh)

61.5    80.5    90.3    93.4    **88.6**FY 16-17    FY 17-18    FY 18-19    FY 19-20    **FY 20-21****DIGITAL TRANSACTIONS AS % OF TOTAL**

(%)

41    51    67    69    **82**FY 16-17    FY 17-18    FY 18-19    FY 19-20    **FY 20-21****INDIVIDUAL'S SHARE IN AUM**

(% of monthly average AUM)

56.0    62.2    63.0    57.2    **57.6**FY 16-17    FY 17-18    FY 18-19    FY 19-20    **FY 20-21**

## Note -

- All data is as of March for each year, unless stated otherwise.
- March 2016 has been taken as the base for CAGR calculation. Assets under management and Actively managed equity-oriented AUM in March 2016 were ₹1,65,619 Crore and ₹62,941 Crore respectively.
- Assets under management (AUM) refers to month end closing AUM.
- Actively managed equity-oriented AUM includes all solution oriented schemes/ portfolios and excludes index funds & ETFs.



# Chairman's Message - MUTUALFUNDS *Sahi Hai*



The outlook on the mutual fund industry remains positive, given the growth potential and under penetration of mutual funds in the country.



Dear Shareholders,

## The financial year gone by will go down as one of the most unusual and challenging years in living memory.

The world experienced unprecedented setbacks due to COVID-19, which resulted in the global economy witnessing one of the worst contractions since World War II. The Indian economy too contracted by 7.3% in FY 20-21 – an event seen only for the second time since Independence and the first since the economic liberalisation in 1991.

As expectations of a sharp recovery started gaining ground, India bore the brunt of the second wave from March 2021. With localised lockdowns and varying degrees of restrictions imposed by state and local governments, the recovery remains fragile and prospects of any sharper uptick remain largely reliant on the pace of vaccination. Inoculating a population as vast as India's is no doubt a mammoth task, but it is the only way to overcome the crisis.

Since the outbreak, the RBI has taken several steps to reduce the financial stress on the economy by lowering interest rates,

boosting liquidity, and providing relief/restructuring options on loans that came under duress due to the pandemic. The government has implemented several counter measures in phases to provide relief to the vulnerable sections of society, revive growth and create a roadmap to make India self-reliant. In the Union Budget 2021-22, the government renewed its thrust on infrastructure development and improving healthcare infrastructure. Backed by synchronised fiscal and monetary policy measures, along with acceleration in the vaccination drive, the Indian economy should be able to get back to its growth trajectory sooner than later.

Despite the strong headwinds throughout the year, the Indian mutual fund industry continued to grow and scaled an all-time high of ₹ 30 lakh crore in Assets Under Management (AUM). With the pandemic reinforcing the importance of financial savings among Indian households and given the underpenetration of mutual funds, the industry outlook remains buoyant.

Over the last five years, India has been among the fastest growing mutual fund markets in terms of AUM. However, India's MF AUM to GDP ratio remains significantly low at 15%,



as compared to a global average of 75%. Similarly, equity AUM to market cap stood at 5% as against a global average of 30%. Another way of looking at penetration is to measure MF AUM against bank deposits. For instance, in 2014, MF AUM was equivalent to 10% of bank deposits, currently, MF AUM stands at 20% of bank deposits. Despite the sharp growth, penetration levels by any measure remain considerably lower compared to other large economies. India has more than 50 crore income tax Permanent Account Numbers (PANs), but only 2.2 crore mutual fund investors. This reaffirms my belief that the industry has the potential to grow exponentially.

An emerging opportunity that asset management companies should capitalise on is global capital. Foreign Portfolio Investors as a group are the second largest after promoters in terms of ownership of India's market capitalisation. Most of these fund managers are based overseas from where they manage Indian assets. The government has taken positive steps to attract these managers/funds with various incentives through India's international financial services centre, GIFT City. The regulatory framework is progressive and should facilitate the relocation of foreign funds to GIFT City. Global agencies admire SEBI's Mutual Fund regulatory framework and consider the MF industry among the top in terms of global best practices. I hope we can capitalise on this and make our domestic mutual funds accessible internationally.

Unlike certain businesses within the financial services space, asset management by its nature tends to be much more volatile, especially in the short term as it is highly correlated with the equity markets. HDFC AMC did see a contraction in its equity AUM in March 2020 due to the steep fall in markets, triggered by the suddenness of the pandemic and the resultant national lockdown. However, this trend reversed as confidence returned and equity markets revived.

Although the pandemic has adversely affected several businesses, large or small, SIP flows in the last fiscal year were relatively stable. This validates the effectiveness of the financial literacy campaign by the MF industry and the Association of Mutual Funds in India (AMFI). The campaign focused making people aware of the importance of proactivity over reactivity while avoiding impulsive decisions based on temporary events. I compliment AMFI for not only instilling discipline at an industry level, but also for its constructive communications with the regulator and other stakeholders to ensure orderly growth in the industry.

The framework put in place by SEBI has enabled the industry to follow a 'customer first' approach and instil confidence among investors in mutual funds and other capital market oriented products. SEBI's emphasis on transparency and disclosure standards is laudable.

With a highly experienced team, well-established distribution, robust IT infrastructure and digital network, and a bouquet of products with good long-term track record, HDFC AMC is on a strong footing to capitalise on the opportunities in the Indian savings landscape. We look forward to further expanding our business and setting new benchmarks. HDFC AMC has been at the forefront in terms of its social footprint and governance standards. We were the first and only one to date to launch a mutual fund dedicated for a social cause.

On behalf of HDFC AMC, I thank all our shareholders for their continued support and belief in our business. We are also grateful to our customers for their unwavering trust and confidence in us, even during these challenging times. We will continue to strive towards our goal of spreading financial literacy, increasing the acceptance of capital market-oriented products and deepening mutual fund penetration levels in the country.

As you are aware, Milind Barve, who was the Managing Director of HDFC AMC since its inception in 1999, retired during the year. Under Milind's leadership, we emerged as the leading asset manager and achieved many milestones. I take this opportunity to thank Milind on behalf of all of you for leaving behind such a great legacy and wish him the very best for his retired life. Navneet Munot has taken over the reins. I am confident that Navneet's leadership qualities and multi-faceted business experience will take the Company to even greater heights, with his thought process, value systems and people-first approach being aligned with that of the HDFC Group.

Let me also acknowledge the continued dedication and efforts of all our employees, distribution partners and service providers for pursuing the mission of being a wealth enabler and creator for every Indian. Let us hope and pray that the world is able to overcome this pandemic soon and look forward to better times ahead.

**Deepak S. Parekh**  
Chairman

## MD's Message



As India continues on its growth journey, we aspire to be a wealth creator for every Indian with an audacious vision: to be the most respected asset manager in the world.

Dear Shareholders,

It gives me immense pleasure to write my first letter to you as MD & CEO of HDFC AMC, an organisation I have always admired from outside.

At the outset, I would like to express my sincerest gratitude to you and the Board of Directors for giving me the opportunity to steer this esteemed organisation. Over the past two decades, HDFC AMC has crossed many milestones under the able leadership of my predecessor, Mr. Milind Barve. We have built a franchise that has size and scale and is amongst industry leaders in terms of AUM and profitability. Today, nearly one out of every four mutual fund investors in India is invested with us. However, the other way to look at is 3 out of 4 are not. We thus have a long way to go in our journey of helping customers manage their investments efficiently.

The past 15 months have tested our resilience to the maximum. As I write this note, uncertainty still prevails with the second wave of the pandemic hitting India even harder. Throughout the pandemic, we have remained focused on ensuring well-being of our employees while continuing to deliver to our customers. With extreme grief, I would like to mention that two of our colleagues succumbed to the virus. And we are doing our best to assist both the families to manage this utmost difficult period.

### Maintaining growth momentum in a volatile environment

The economy and markets were impacted materially at the start of the financial year. The Government's focus on fighting the pandemic and aiding economic recovery yielded positive results. The RBI took decisive and innovative monetary measures to keep financial conditions benign, ensure orderly evolution of the yield curve and sustain growth on a durable basis. SEBI took steps for uninterrupted functioning of the capital markets while managing risks effectively. The mutual fund industry continued its growth trajectory, with annual



average industry AUM rising by 8.6%; total industry AUM as of March 31, 2021 stood at ₹ 31.4 Lakh Crore. Systematic Investment Plan (SIP) flows stayed resilient. B-30 (beyond the top 30) cities continue to contribute to the growth of the industry.

We closed FY 20-21 with an AUM of ₹ 3.96 Lakh Crore, 53 Lakh unique customers, 90 Lakh live accounts serviced through 227 branches, of which 149 are in B-30 cities. We continue to enjoy a favourable mix of 43% equity-oriented assets and 57% non-equity oriented assets as compared to the industry mix of 41% and 59%, respectively. It would be worth a mention that we are the most preferred choice of individual investors, with a market share of 13.7% of the individual MAAUM (monthly average assets under management) for March 2021. Our total income grew 3% y-o-y to ₹ 2,202 Crore. We focused on rationalising costs to navigate through these challenging times, which resulted in an 8% drop in expenses to ₹ 453 crore. We thus delivered another year of profitable growth with a profit after tax (PAT) of ₹ 1,326 Crore.

## Managing investments in the new normal

Investment management is all about developing a culture – of doing right for the customer. We are the fiduciary to our customers – their interests clearly supersede. Transparency and good governance are the key pillars in upholding the highest standards of fiduciary responsibilities. Our customers entrust us with their savings, with a strong belief that we would help them achieve their financial goals. Our culture reflects a deep sense of trusteeship towards them.

Today, we offer a broad range of products across asset classes/ risk spectrum which addresses varied customers' needs. We constantly evaluate opportunities but refrain from creating a product/solution unless we strongly believe that it will add value to our customers' portfolios over the long term. During FY 20-21, we launched the HDFC Dividend Yield Fund, which received positive response during the New Fund Offer (NFO) period and has been seeing continued traction since. We also launched the HDFC Banking ETF. With equity markets near record highs and interest rates at the lower end of the spectrum, investors are searching for the right balance to optimise their portfolio returns. Our hybrid funds and asset allocation-oriented products enable investors to balance their asset allocation, optimise portfolio returns and ride out market gyrations. In the next few quarters, we would like to expand our equity product portfolio to cover sector/specific themes, international markets and passive strategies.

For details on Mutual Fund AUM, refer to page 6 & 7

## Looking ahead

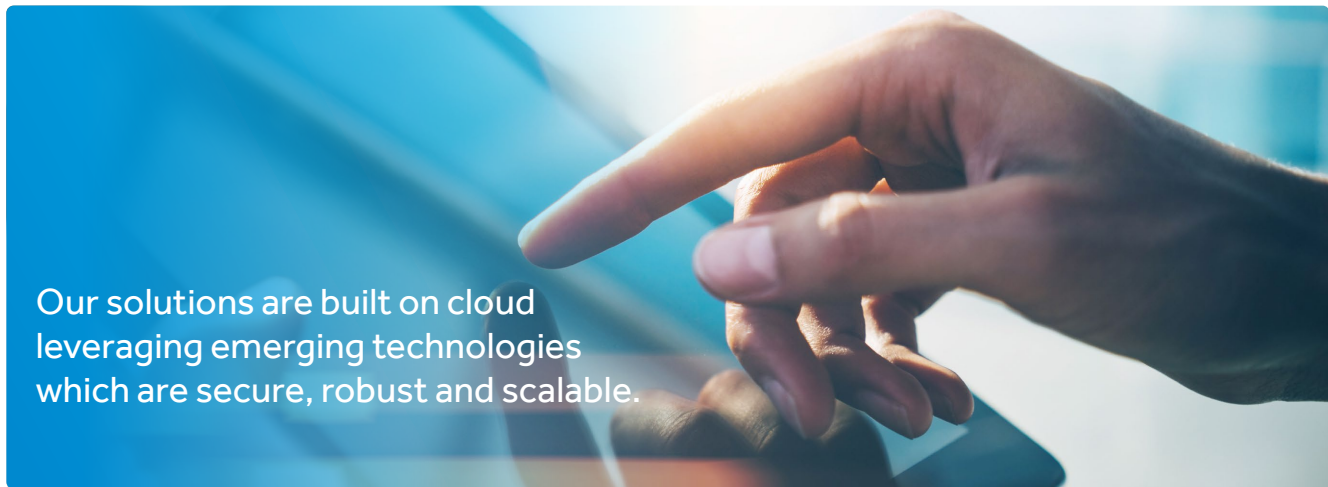
The second wave of COVID-19 hit us just when the growth momentum started reviving. However, the COVID curve is showing signs of flattening, strain on healthcare infrastructure is easing and the nationwide vaccination drive is gathering steam. Keeping this in mind, I believe the economy should come back to a steady recovery path. The markets are clearly exhibiting confidence, signalling better times ahead. Our people are well equipped with top class digital infrastructure to function seamlessly. We have created the tools to provide best-in-class User Interface and User Experience to our customers and partners. We will continue to strengthen our digital capabilities with a focus on delivering customer delight.

More importantly, despite strong growth in the past decade, mutual fund penetration remains extremely low in India. At HDFC AMC, we are well positioned to capitalise on the opportunities with Pedigree, People, Processes, Products, Performance, Presence, Partnerships and Platform. While maintaining a highly cost-conscious culture, we will not shy away from investing in the future. As India continues on its growth journey, we aspire to be a wealth creator for every Indian with an audacious vision: to be the most respected asset manager in the world.

I thank you once again for your trust and confidence in HDFC AMC. I also take this opportunity to thank our customers, distribution partners, service providers, and above all, our people for their unwavering commitment. We would like to thank SEBI for continued guidance and direction for an orderly growth of our industry.

**Navneet Munot**  
MD & CEO

# Digital



## Our Key Focus is to:



Enable multiple digital channels for our diverse investor base for transactions, statements, updates etc.



Power our Partners digitally across channels



Continuous iterative approach to improve user experience

## Key initiatives during the year:

### Increased Personalization for users

We have enhanced our user experience with personalization tools to amplify engagement and create experiences that resonate with our users.

### High touch Service models

To ensure our users have all the help they need, at their fingertips, this year, we introduced new easy-to-use, minimum-effort service channels like Call Back Services and Co-browsing to facilitate faster servicing.

### WhatsApp for Partners

We have added another channel for our Partners to have easy and instant access for transactions, statements and more on-the-go with WhatsApp for Partners.

### EKYC for onboarding first time investors

With Aadhaar based EKYC, we enable new to mutual fund investors to start investing immediately on our digital channels.

### Digital Marketing for Partners

Enabled our partners with both tools and educational webinars on Digital Marketing. Over 10,000 + Partners joined us on this initiative via multi lingual webinars on social media marketing.

### Increased Automation

We have automated our system testing process with leading market tools for robotic process automation.



### Investors

Investor Portal	Investor App	Chat Bot	Quick Links	WhatsApp for Investors

### Partners

Partners Portal	Partners App	ARN Link	Admin Portal	WhatsApp for Partners	Digital Marketing Solution

### Engagement Channels in addition to above

Co-browsing Services	Call Back Services	Agent HelpDesk	Journey Management	Live Chat

## Success stories of the year

<p>Transaction volumes on our inhouse platform grew</p> <h1>21%</h1>	<h1>&gt;60%</h1> <p>of direct transactions are on inhouse digital platform and the balance is divided between physical and aggregator platforms</p>	<p>Mobile-to-web ratio had increased with every third digital transaction being on mobile</p>
<p>We connected with a customer every 2 minutes via calls, chats, mails, etc</p>	<h1>~100+</h1> <p>users logged in every minute on our online platform last year</p>	<h1>~3 new</h1> <p>users onboarded every minute on our online platform last year</p>



## Marketing Initiatives

Our communication strategy in the wake of the COVID-19 pandemic underwent a major overhaul in order to factor in the tectonic shifts taking place in the world of marketing.

We increased our spends on digital communication and advertising, increasing our presence in news and information websites and advertising in Over the Top (OTT) platforms. For instance, we ran advertisements on SIPs on OTT platforms during the Indian Premier League (IPL). Our video ads on ELSS also appeared on various OTT platforms. We also increased our social media presence to promote investor education. The strategy was to engage with specific target groups on social platforms through topical communication and moment marketing.

We launched MFBytes in last April, a one of its kind gamified investor education app that enables users to not only learn about mutual funds through byte-sized courses, but also engages users through gamified quizzes for each course. MFBytes has content for everyone, whether a novice or a seasoned investor. It presents users with an opportunity to top the leaderboard of the app once they complete all the courses within the app. We also launched MFBytes in Hindi to reach out to the wider Hindi-speaking markets in Tier 2 and Tier 3 towns and help them to learn about investments and financial planning.

### A few of the campaigns that we launched in FY 20-21:



#### Child Education

The digital film released in 2020 on Children's Day, aimed to educate and create awareness among parents that only long-term investment could ensure a bright future for their kids, and this could be done through Solution Oriented Children's Fund. The video garnered over 21 Lakh views.



#### Long Innings with SIP

The film released during the 2020 IPL used the analogy of cricket to talk about SIP investments, encouraging SIP investors to stay invested without getting distracted by market fluctuations and acting in a hurry. The video garnered over 18 Lakh views.



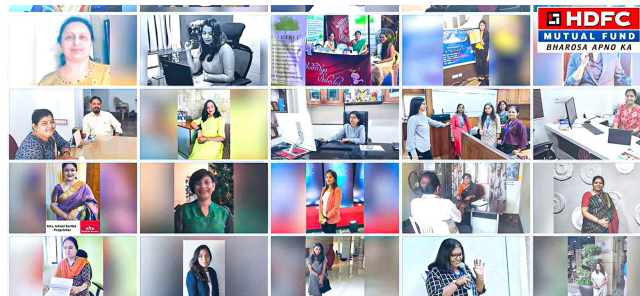
#### Second Marriage

The objective of this film was to create awareness about investment through SIPs by drawing a parallel between relationships in life and the principle of investing in mutual funds where trust builds up gradually over time as one stays invested. The video garnered over 19 Lakh views.



### Multi Asset Funds

As part of our Investor Education initiative, we wanted to educate investors about the potential benefits of investing in a Multi Asset Fund. In order to drive this message home we simplified it for the masses through films and with the help of a simple crossword puzzle in the daily newspaper, where a husband is seen explaining to his wife the benefits of investing in a multi-asset fund. The video garnered over 99 Lakh views.



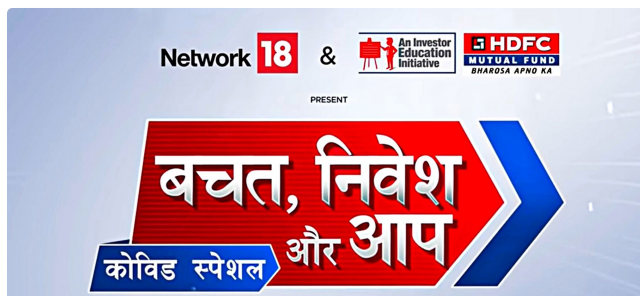
### Come back stronger

During the challenging times last year, we attempted to send a message of hope with our campaign #ComeBackStronger. The video expressed solidarity with the people.



### Women's Day

We launched a series of videos with women Mutual Fund Distributors (MFDs) on the occasion of International Women's Day to pay a tribute to their work. We also launched a video on Women's day introducing Kamal Kumbhar, a social entrepreneur who went through a lot of challenges & despite that, inspired many other women & kept marching towards her goals one step at a time.



### Bachat, Nivesh aur Aap

We did a four-episode TV series – Bachat, Nivesh aur Aap – COVID Special, with CNBC Awaaz and a few regional channels in 2020. All the episodes were topical and addressed concerns of investors in the pandemic environment.

### HDFC MF – New Endeavors

In line with the rapid growth in mobile usage, we plan to target users with a mobile-first approach and reach out especially to millennials through customised communication across various digital platforms. We also aim to expand our campaign communications in more local languages.

# ESG Initiatives



The HDFC Group has been associated with high levels of social responsibility, ethical business practices and strong governance oversight.

As one of the largest employers in India, the Group has ensured alignment of this culture with its employees and associates. The Group operates with a shared mindset that sustainability goals are part of its financial goals. HDFC AMC inherits this culture and integrates it into its qualitative and quantitative ESG factors. Although this culture underlies business communication and activity at the grassroots level, we can summarise some of our commitments towards Environment, Social and Governance factors as below.

## Environment

We are a service-oriented business primarily involved in flow of information and financial transactions. Our carbon footprint is therefore limited to the use of consumables, such as paper, plastic, office equipment, water and energy. Well before environmental concerns picked up in India as a concept, we realised the importance of going paperless, not only for conservation of the environment, but also as a benefit to our operating efficiencies. We joined the efforts of the industry to move to a digital delivery of account statements over the last decade.

We have consistently invested in technology and built a robust digital environment in the organisation to ensure minimum use of paper-based transactions and communication. Over the last 5 years, our digital transactions have grown at a CAGR of 38%. In the FY 20-21, 82% of our transactions were executed digitally as against 69% in FY 19-20, and 36% in FY 15-16.

There is a pressing need to conserve water, energy and manage waste (Physical/E-Waste) in an eco-friendly manner. To achieve these objectives we conduct awareness drives, encourage reuse/recycle wherever possible and monitor improvement. Our process of managing e-waste is validated by an external agency.

### Key Initiatives

Investor KYC, On-boarding, transacting, statement of account, all done digitally.

Optimal usage of office equipment, stationery & consumables.

Replacement of plastic water bottles with glass/steel bottles.

Deployment of plastic recycling machines

Installation of low consumption, energy efficient fittings, including automatic lighting, water taps, air dryers, etc.

Frequent communication to employees on optimum usage of consumables

We intend to continue identifying and acting on opportunities to reduce our impact on the environment. This includes further upgradation to our technology and digital infrastructure, launching green initiatives with our customers and partners and promoting an overall culture of conservation and sustainability.





## Social

Our continued focus to nurture relationships with key stakeholders in our business, the investors, distributors, employees, suppliers and community at large is the key to our success. In all of our interactions, we ensure sensitisation to important social factors like diversity and inclusion, workplace practices and prohibition of economic, racial or physical inequalities.

We are an equal opportunity employer. We believe in hiring the right talent on merits and up skilling of the work force to align with the changing business environment. For example, we are upskilling more than 1000 of our employees by enrolling them for CFA Foundation course which covers various aspects of investment management. We believe such large initiatives will enhance the overall skill level of the industry, with immense benefits percolating to the large mutual fund distribution network and even to mutual fund investors.

We run various initiatives with our distribution partners and customers to continuously engage with the community at large. These include programmes centred around special days of the year, educational programmes for large audiences, social media campaigns around positivity and optimism, donation drives during calamities, and various other events. We were also commended for our unique decade long programme to provide financial assistance for the treatment of needy and low-income patients.

We are one of the youngest work-force with an average age of 34 years, and amongst the lowest attrition rate in the BFSI space. We are strong proponents of ensuring pay parity, career development and overall fairness in treatment of all employees.

We are now present at 227 locations in India, providing local employment opportunities and business to local vendors. Presence at multiple locations ensure our work force comprises of people from diverse backgrounds. Over 25 % of our permanent work force are women.

## Governance

Our Board and Management share a mutual and firm commitment toward sustainability, which is reflected in our internal practices around governance, employee and partner development, environmental impact, ethical practices, universal fair treatment and data privacy. Our board acts independently and is highly engaged with the management in ensuring best practices across all functions. The Board acts as stewards on behalf of our shareholders in overseeing management and operations, evaluating risk and opportunities for our business and challenging our management team. The diverse backgrounds of our individual directors play a significant role in their ability to oversee our business from a variety of perspectives. We have a Board Diversity Policy,

which includes guidance on skills, qualification, professional experience, knowledge, gender, ethnicity and background.

We have well laid out policies documented and available to all our stakeholders. These provide clear guidelines around Code of Conduct, nomination and remuneration, whistle blowing, handling of UPSI, and various other activities to ensure the highest level of governance is adhered to. The Company has also prescribed strict 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. New employees are well initiated to all company policies and practices, with access to detailed employee guidelines.

### Governance framework

Well-defined Code of Conduct (CoC) for employees.

Training on Anti-Money Laundering and cyber-security to employees

Well-defined Privacy Policy and includes data security measures and standards.

Our investment team monitors ESG related factors in investee companies. They engage with the management of investee companies on issues such as executive compensation, dividend distribution policies, capital allocation, related party transactions etc. We have adopted a stewardship code in line with the regulatory prescription.

We have implemented highly institutionalised risk management practices, designed 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.

We place regulatory and legal compliance at the highest level of priority in all our operations. We are part of a highly transparent industry, and we uphold our brand culture to endeavor to go one step further regarding disclosures, compliance and best practices.

# Our Board of Directors

## Deepak S. Parekh Non-Executive Director and Chairman

Mr. 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, Housing Development Finance Corporation Limited (HDFC) and its key subsidiaries. He is a fellow of the Institute of Chartered Accountants (England and Wales). He is on the board of several leading companies across diverse sectors. He has won several awards and accolades, which includes Padma Bhushan, one of the highest civilian awards by the Government of India in 2006, 'Bundesverdienstkreuz', Germany's Cross of the Order of Merit, one of the highest distinction, by the Federal Republic of Germany, in 2014, "Knight in the Order of the Legion of Honour", one of the highest distinctions by the French Republic, in 2010, first of a network of international ambassadors for championing London across the globe by the Mayor of London in 2017, first international recipient of the Outstanding Achievement Award by the Institute of Chartered Accountants in England and Wales in 2010 and the 'Lifetime Achievement Award' at CNBC TV18's 15<sup>th</sup> 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 in 2000. He was re-designated as the Vice Chairman and Managing Director of HDFC in October 2007 and as the Vice Chairman and Chief Executive Officer, with effect from January 1, 2010. Some of his recognitions include being awarded 'CEO of The Year' under BFSI Category at CNBC Awaaz CEO Awards 2019, "Best Independent Director Award 2014" by Asian Centre for Corporate Governance & Sustainability, the Best CEO Financial Services (Large Companies) 2014 by Business Today magazine, CFO India Hall of Fame by the CFO India Magazine in 2012, One of Best CEO for Investor Relations- India at the Thomson Reuters "Extel Awards" – 2021, Best Banker of the year in 2011 by Financial Express, awarded the QIMPRO Gold Standard 2011- Leader for Quality in Business by the Qimpro Foundation, honoured with the 'CA Business Achiever of the year' award in the Financial Sector by the Institute of Chartered Accountants of India (ICAI) in 2011, declared as the Best CFO in Financial Services Category by the ICAI for 2008, and CNBC TV18's award for the 'Best Performing CFO in the Financial Services Sector' for three consecutive years - 2006, 2007 and 2008 and CFO of the Year for 2008 and selection as the 'Best Investor Relations Officer' in the Corporate Governance poll by Asiamoney (2008). He is the chairman of the CII National Council on Corporate Governance and a member of Primary Market Advisory Committee set up by the Securities and Exchange Board of India (SEBI). He was also a member of the Committee on Corporate Governance set up by the 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 Master's degree in Economics from the University of Delhi and a Bachelor's degree in Law from the University of Mumbai. She is a Parvin Fellow – Woodrow Wilson School of Public and International Affairs, Princeton University, USA. Ms. Karnad has had to her credit, numerous awards and accolades. Prominent among them being featured in list of '25 top non-banking women in finance' by U.S. Banker magazine, listed by Wall Street Journal Asia as among the 'Top Ten Powerful Women to Watch Out for in Asia'. "Outstanding, Woman Business Leader" by CNBC-TV18, 25 Most Influential Women Professionals in India by India Today. Ms. Karnad is currently the President of the International Union for Housing Finance (IUHF), an association of global housing finance firms.



## James Aird

### Non-Executive Director

Mr. James Aird [DIN 01057384] is a Non-Executive Director on the Company's Board and has been nominated by 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 Global Head of Strategic Partnerships 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.

## Rushad Abadan

### Additional (Non-Executive Non-Independent) Director

Mr. Rushad Abadan [DIN 08035538] is appointed as an Additional (Non-Executive Non-Independent) Director on our Board and has been nominated by one of our Promoters, Standard Life Investments Limited. Mr. Abadan joined Standard Life Aberdeen plc as its Group General Counsel in January 2016. He is a member of the Executive Leadership Team and holds executive responsibility for the group's global legal and governance function. Prior to this, Mr. Abadan held several senior positions in another significant financial institution, NatWest Group (previously Royal Bank of Scotland Group), including as Group Deputy General Counsel and General Counsel Corporate and M&A. Mr. Abadan also has previous experience as a M&A and private equity counsel with Indian law firms, Crawford Bayley & Co. and DSK Legal, and subsequently with the UK law firm, CMS. Mr. Abadan was an alternate director of HDFC Life Insurance Company Limited until January 2021.

## 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, Balaji Motion Pictures Limited and Diamines & Chemicals Limited. He is currently an advisor, guiding business strategies and organizational development, both in India and abroad. He is also a Director on the Board of Network 18 Media & Investments Limited, TV 18 Broadcast Limited and Ceinsys Tech Limited.

## Our Board of Directors

### 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 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 an Independent Director on the boards of two other companies. He is fellow member of Institute of Chartered Accountants of India and holds a degree of Bachelor of Science (Hons) from University of Bombay.

### 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, the Private Equity and Venture Capital division of the Mahindra Group. In a career spanning over 20 years, Mr. Shah has held various positions with the Mahindra Group and is a Director on several Group companies. He has extensive experience in building new businesses, start ups, turn arounds, joint ventures and mergers & acquisitions. He is the Group lead for business representation in Israel and is also an Executive Committee member of various councils of Mahindra Learning University. 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, American Alumni Association in addition to other external associations. He is part of the CII National Healthcare Council. He is also an angel investor & is on the advisory board of Trustees of The IndUS Entrepreneurs, Mumbai (TiE). Mr. Shah 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. 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. Parag is affiliated with various NGO associations such as Sabarkanta Relief Committee and S&G Charitable Trust. He has also been a Founder Director of "Executives Without Borders", an NGO based in USA.

### 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 Chairperson on the Board of HCL Technologies, and Chairperson of its CSR Committee. She is also the CEO of HCL Corporation and a Trustee of the Shiv Nadar Foundation, which is committed to the process of nation building by driving transformational leadership through education. Roshni 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 is a member of the Dean's Advisory Council at the MIT School of Engineering, USA and serves on the board of directors of US-India Strategic Partnership Forum (USISPF). She has been featured in 'The World's 100 Most Powerful Women' list, compiled and released by Forbes, for four consecutive years since 2017 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.





## Sanjay Bhandarkar

### Independent Director

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

## Shashi Kant Sharma

### 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 23<sup>rd</sup> May, 2013 to 24<sup>th</sup> September, 2017. Before taking office as the 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. In his capacity as CAG of India, he was elected by the General Assembly of the United Nations as a Member of UN Board of Auditors in July, 2014, and was chairing the UN Board of Auditors. He was active on the Governing Boards of the International Organization of Supreme Audit Institutions (INTOSAI) and the Asian Organization of Supreme Audit Institutions (ASOSAI). He was chairperson of the INTOSAI's Knowledge Sharing Committee and Working Group on Information Technology. He chaired the 13<sup>th</sup> 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, he has also worked in various other capacities in the Central government and in Bihar state, including extensive field assignments in districts. In all, he has over forty years of experience in public policy and management. He 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.

## Navneet Munot

### Managing Director & Chief Executive Officer

Mr. Navneet Munot [DIN 05247228] is the Managing Director & Chief Executive Officer of the Company since February 16, 2021. He has 27 years of rich experience in financial services. Prior to this, he worked with SBI Funds Management Private Limited as an Executive Director and CIO and was a key member of the Executive Committee since December 2008. As the CIO, he was responsible for overseeing investments over \$ 150 billion across various asset classes in mutual funds and segregated accounts. He was also a nominee director on the Board of SBI Pension Funds Private Limited.

Mr. Munot started his career in 1994 with Aditya Birla Group. He then joined Birla Global Finance Limited and worked in various spheres of financial services business. He had a brief stint in the sell-side with Birla Sunlife Securities Limited. As the Chief Investment Officer (CIO) for fixed income and hybrid funds in Birla Sunlife Mutual fund, he played an important role in business development while delivering consistent risk-adjusted returns. He moved to Morgan Stanley Investment Management in 2007 as an Executive Director and head of multi-strategy boutique and then joined SBI Funds Management Private Ltd in December 2008. Presently, he is the Chairman of the Board of Indian Association of Investment Professionals (CFA society, India). He has a Masters degree in Accountancy and Business Statistics and is a qualified Chartered Accountant. He is also a charter holder of CFA Institute and CAIA Institute and done Financial Risk Management (FRM).

## Our Leadership Team

Spearheaded by our Managing Director & Chief Executive Officer, Navneet Munot and Executive Director & Chief Investment Officer, Prashant Jain, 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.

### Investments

#### Equity

Amit Ganatra  
Senior Fund Manager

Chirag Setalvad  
Senior Fund Manager

Gopal Agrawal  
Senior Fund Manager

Rakesh Vyas  
Fund Manager – Equities  
and Senior Equity Analyst

Krishan Kumar Daga  
Senior Fund Manager

#### Fixed Income

Anil Bamboli  
Senior Fund Manager

Anupam Joshi  
Fund Manager

Shobhit Mehrotra  
Senior Fund Manager and  
Head of Credit

### Sales

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

Rajiv Maniar  
Co-Head – Sales and  
Distribution

Shyamali Basu  
Head – Products, Marketing  
& Training

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

### 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

# Management Discussion and Analysis

## Economy, Markets, Industry

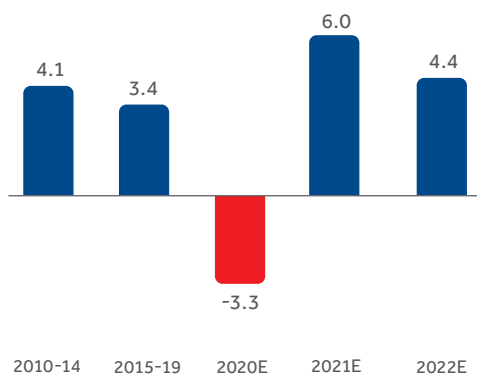
### A. Economic environment

#### A1. Global

FY 20-21 will go down in history as one of the most challenging years in recent history. The economic and social disruption faced by people across the world due to the COVID-19 pandemic was hitherto unfathomable. After the declaration of COVID-19 as a pandemic, the uncertainty, rapid spread and pressure on the health infrastructure caused many countries to impose varying degree of lockdowns and restrictions on public movement and gatherings. This brought about an abrupt halt to economic activities and triggered concerns in the real economy as well as financial markets. There were large scale layoffs, equities plummeted sharply, yields plunged and volatility engulfed the forex markets.

#### REAL GDP GROWTH (%)

(%)



Source: IMF

The number of COVID-19 cases rose at a fast pace in most countries, although the restrictions and lockdowns contained the spread to a certain extent. Many countries such as the US, UK, European countries, etc. even experienced a 2<sup>nd</sup> and 3<sup>rd</sup> wave in the second half of the year, with gradual easing of lockdowns. While new cases have moderated from their peak in many countries, they still continue to remain at an elevated level. As on March 31, 2021, an estimated ~13 Crore

Note: CY stands for calendar year

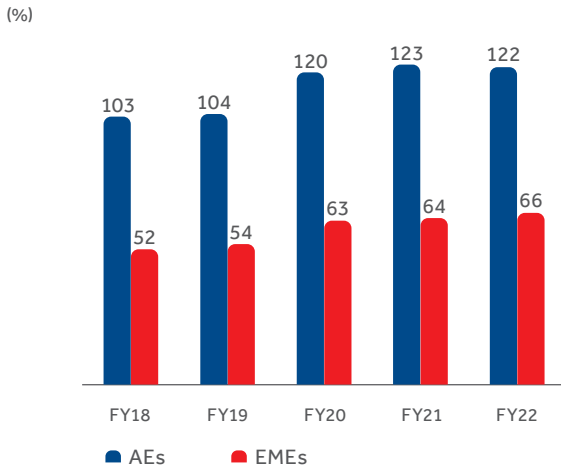
people have been infected by COVID-19 with an average mortality rate of ~2.2%. Fortunately, the combined efforts of governments and pharma companies in developing vaccines fructified. Today, multiple vaccines have been developed and rolled out within a record span of 8-10 months as against the usual timeframe of ~8-10 years. The vaccination process has begun at a rapid pace and by end of 2021, it is likely that most advanced economies would have vaccinated a critical mass of their population. This is likely to go a long way in preventing a resurgence of the virus in those countries and aid a rebound of the global economy at a robust pace.

The impact on the global economy was unavoidable and Q1CY20 witnessed the highest GDP contraction since World War II. However, post the initial shock, the global economic situation started to normalise aided by fiscal stimulus, increased global liquidity, improvement in consumer confidence and the easing of restrictions. IMF estimates that world GDP contracted by 3.3% in CY20, after 10 years of continuous expansion. In general, services were impacted more than manufacturing sector and unemployment rate in many economies rose higher than levels seen during the Global Financial Crisis (GFC).

The governments and central banks in advanced as well as emerging markets were quick to respond and announced a flurry of measures to prevent this health crisis from turning into an economic one. The scale of fiscal and monetary stimulus was unprecedented, surpassing the magnitude witnessed during the GFC. The actions taken included direct income transfers, increase in unemployment benefits, concessional credit to businesses impacted, reductions in policy rates, restarting quantitative easing aggressively, stepping up spending on health infrastructure, etc. These globally synchronised measures helped stabilise the financial markets and volatility reduced significantly.

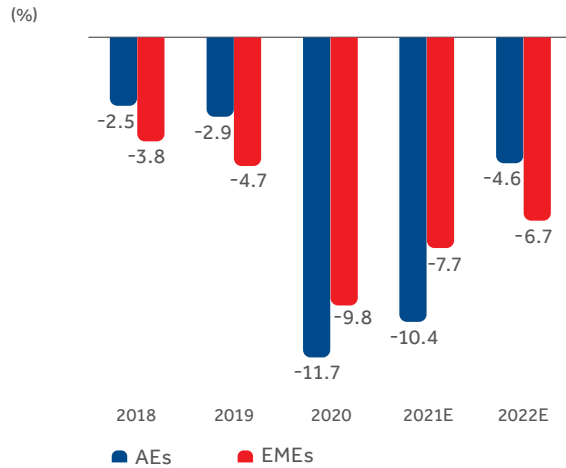
These measures led to a considerable widening of fiscal deficits and sovereign debt as a % of GDP rising to all-time high levels for Advanced Economies (AEs) and Emerging & Developing Economies (EMEs). Aggressive monetary stimulus by global central banks resulted in massive increase in their balance sheet size as well. Further, with the US Federal Reserve (US Fed), European Central Bank (ECB) and Bank of Japan (BoJ) not expected to roll back the quantitative easing anytime soon, the size is likely to increase further.

**GENERAL GOVERNMENT DEBT AS % OF GDP**



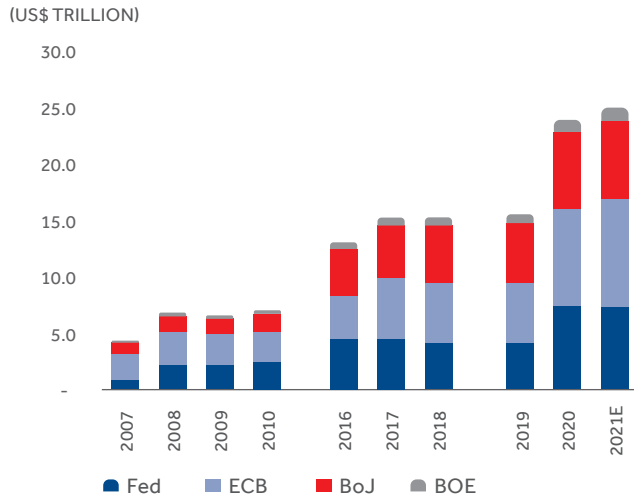
Source: IMF; data as on end-CY

**FISCAL DEFICIT AS % OF GDP**



Source: IMF

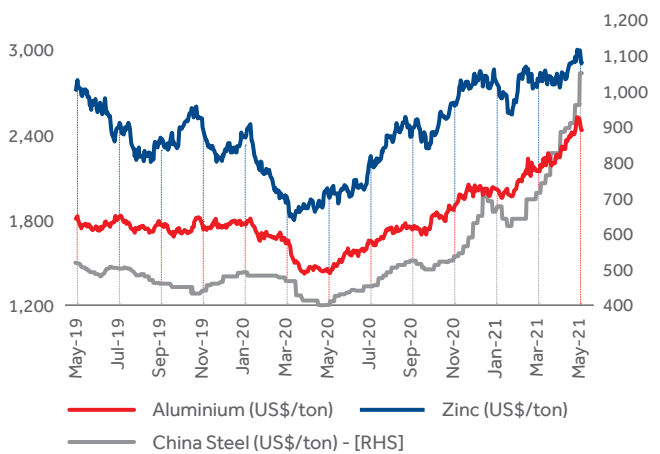
**SIZE OF THE BALANCE SHEET**



Source: Kotak Institutional Equities

The economy bounced back strongly and improved sequentially Q3CY20 onwards as restrictions eased and the policy responses began to show impact. YoY contraction narrowed significantly, global trade started normalising and unemployment moderated. Despite many countries experiencing a 2<sup>nd</sup> and 3<sup>rd</sup> COVID-19 wave, the impact on economy and financial markets was not severe as people adapted to the new normal.

**DAILY COMMODITY PRICES**



Source: Bloomberg

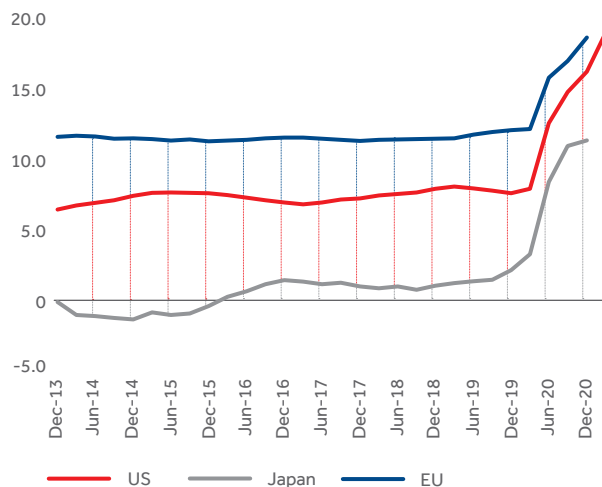
Global commodity prices also witnessed extraordinary volatility with a sharp fall during the early part of the year followed by buoyant rise in the second half. The rally in commodity continued in the first half of 2021 and is now being called a 'commodity super cycle' by many experts.

An important fallout of this crisis was that most economies witnessed a rise in household savings as uncertainty and restricted mobility led to an aversion to spending and reduction of avenues for it. The consumers scaled back their discretionary spends, especially services.



## GLOBAL HH SAVINGS RATE

4QMA, % OF GDP



Going forward, the fast paced normalisation in economic activity, rise in savings and low leverage of households in advanced economies (AEs), continued monetary and fiscal support along with return of consumer confidence should propel a strong growth rebound in 2021 and beyond.

### A2. India

The Indian economy entered the pandemic while it was in the midst of a cyclical slowdown. Hence, the impact of the pandemic was prominent.

The cases in India started rising from March 2020. To curb the spread and scale up the health infrastructure in the face of uncertainty, the Government of India (GoI) implemented one of the strictest lockdowns starting from the last week of March 2020. The economic impact of this sudden standstill was inescapable and the GDP contracted by over 24% YoY in Q1FY 21.

The government announced targeted measures to soften the blow of this sudden slowdown. In the first round of measures under the Garib Kalyan Yojana – largely targeted towards the most vulnerable sections of society – it distributed free food grains, free LPG cylinders, direct transfer of money to senior citizens and women, among other measures. This was followed by initiatives to support the economy, carry out long pending reforms and lift employment under the Atmanirbhar Bharat package. The measures announced included support for MSMEs and the rural sector, incentives for domestic manufacturing, plan for privatisation of many CPSEs and other sector specific measures. This was supplemented by other measures under the broader umbrella of the Atmanirbhar Bharat package, primarily targeting sector specific reliefs along with support and push for domestic manufacturing.

### Key highlights of FY 20-21

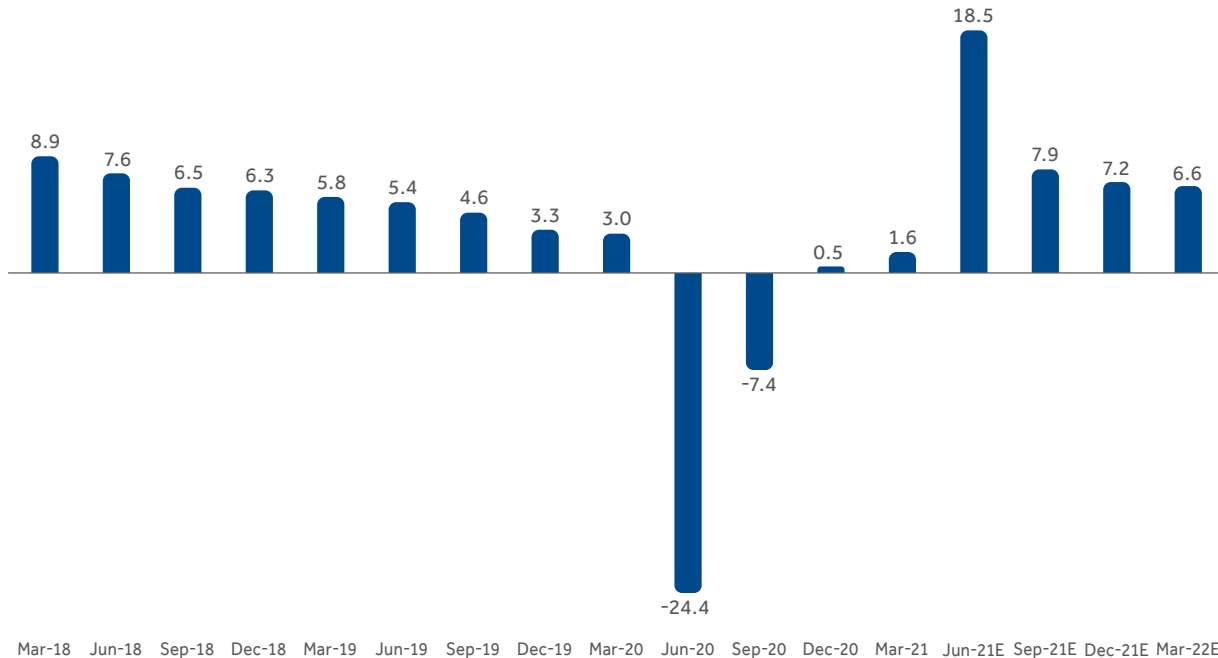
- S&P reaffirmed India's sovereign rating at BBB-/Stable and Moody's downgraded it to Baa3/Outlook negative (from Baa2/Stable). Fitch too, revised India's rating outlook to negative, while maintaining the rating at BBB-. Thus, currently India's sovereign rating is BBB- (similar to Baa3) by all the three major international rating agencies.
- Capex focused budget announced for FY 21-22 with higher allocation to capital spending, announcement of setting up of "Bad Bank", Developmental Financial Institution, etc.
- Franklin Templeton India Mutual Fund announced winding up of 6 debt schemes due to sharp increase in redemptions and liquidity pressures.
- Indian Supreme Court (SC) dismissed review petitions of the telecom companies on the AGR case but later allowed payment to be made over 10 years.
- Announcement of Production Linked Incentive (PLI) Scheme by GoI for 13 sectors, to boost domestic manufacturing.
- US saw a change in regime with Joe Biden, a democrat representative, winning US Presidential elections. He announced large fiscal stimulus of USD 1.9 trillion, in addition to earlier measures.

The Reserve Bank of India (RBI) also led from the front and announced aggressive measures to ease financial conditions, improve liquidity and reduce financial market volatility. Apart from reducing repo rate by 115 bps, it reduced Cash Reserve Ratio (CRR) by 1% for a year, gave special refinancing facilities for select PFIs, permitted moratorium and restructuring of loans, among other measures. The RBI also took a leaf from developed economies Central banks and announced Long Term Repo Operation (LTROs), Targeted LTROs, Operation TWIST, etc. Recently (April 2021), it has also launched Government Securities Acquisition Programme (G-SAP) under which it expressly commits an amount for purchasing Gsecs, a move deemed similar to Quantitative Easing done by Central Banks of Advanced Economies.

Driven by easing of restrictions, government and RBI measures, normalisation of activity as well as the pent-up demand, the economy started to heal and GDP contraction narrowed considerably in Q2FY 21. GDP growth turned positive in Q3FY 21 and Q4FY 21 led by improvement in personal as well as Government consumption along with a rebound in investment spending. While agriculture remained resilient to pandemic disruption, manufacturing and power sector bounced back strongly post the unlocking. However, on a full year basis, India's GDP shrunk by 7.3%, a first after four decades.

**GDP GROWTH**

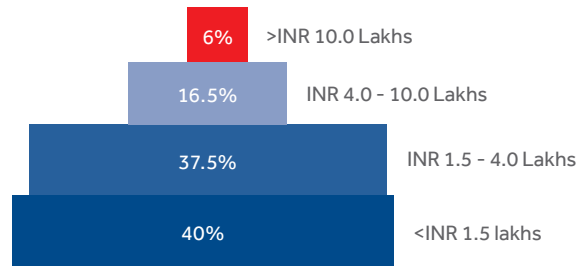
(%)



Source: CMIE, RBI

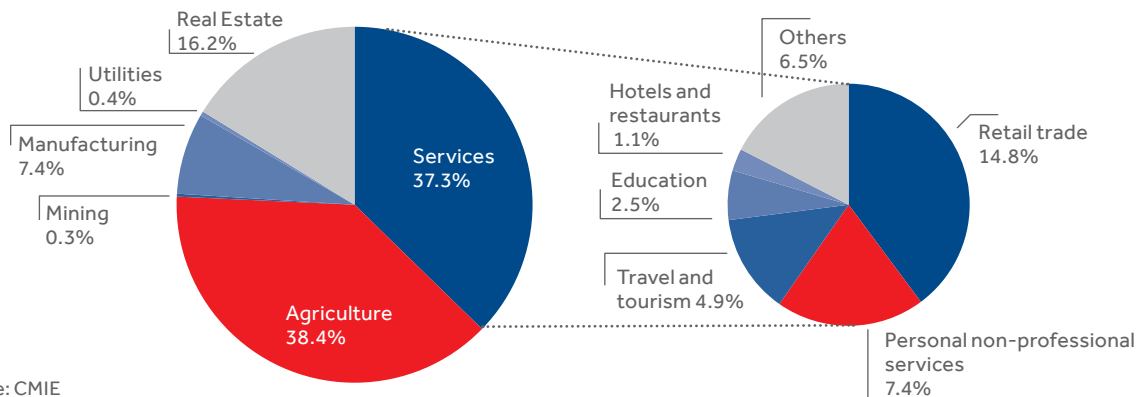
An important insight which is often missed in the headline numbers is that the Indian recovery has possibly been uneven, because the pandemic impacted different categories of households (HH) differently. Indian HH income pyramids indicate that over 75% of Indian HHs earn less than ₹ 4 Lakh per annum. This category includes people who are employed in the unorganised segment / services sector or are casual workers / self-employed. They are likely to have limited savings. It is no secret that the pandemic has impacted these sectors more and the impact is continuing due to the 2<sup>nd</sup> wave. Thus, the adversity and impact on income is more acute for people employed in these sectors, compared to those at the upper end of the pyramid.

**HH INCOME DISTRIBUTION (FY 20E)**



Source: UBS

**EMPLOYMENT BY SECTORS: SERVICES EMPLOYS HIGHEST PROPORTION OF LABOUR FORCE**



Source: CMIE





In view of the above, it is likely that, though the recovery has been sharp, it has been uneven. As someone has famously remarked, “we are in the same storm, but not in the same boat”.

However, the outlook for FY 21-22 is optimistic and likely to register strong growth on the back of a low base effect, continued momentum of economic activity and conducive global environment. RBI estimates GDP to grow by 9.5% in FY 21-22. (Source: MPC Meeting June 2021).

The estimates were revised down (April 2021: 10.5%) recently as the surge in cases since February 2021 is likely to impact the recovery. While the impact till March 2021 was of a lesser degree, the first quarter of FY 21-22 has witnessed a slowdown in momentum driven by fresh lockdowns and restrictions, by most major state governments. Further, the 2<sup>nd</sup> wave has also impacted the rural sector more compared to the first wave. These developments can adversely impact growth in H1FY 22 (assuming the situation does not deteriorate significantly from hereon).

**Indian economy outlook beyond COVID-19:** While the near-term outlook of Indian economy is likely to be impacted adversely by the new restrictions and surge in COVID-19 cases, the outlook over the medium-term remains robust, possibly, even better than pre COVID-19 levels. India has an inherently huge growth potential given the large under penetration of consumer durables and investment potential due to large unmet infrastructure needs. Further, the following developments which have happened over past few years bodes well for growth outlook of India.

<b>PLI Scheme approved for 13 key sectors (₹ '000 Cr) - Incentives</b>	
Mobile phone	41.0
Drug Intermediaries, APIs	6.9
Medical Devices	3.4
Advance Chemicals/Cell Battery	18.1
Electronic/Technology Products	5.0
Automobiles & Auto Components	57.0
Pharmaceuticals drugs	15.0
Telecom & Networking Production	12.2
Textile: MMF segment/Technical	10.7
Food products	10.9
HE Solar PV Modules	4.5
White Goods	6.2
Specialty Steel	6.3
<b>Total</b>	<b>197.2</b>

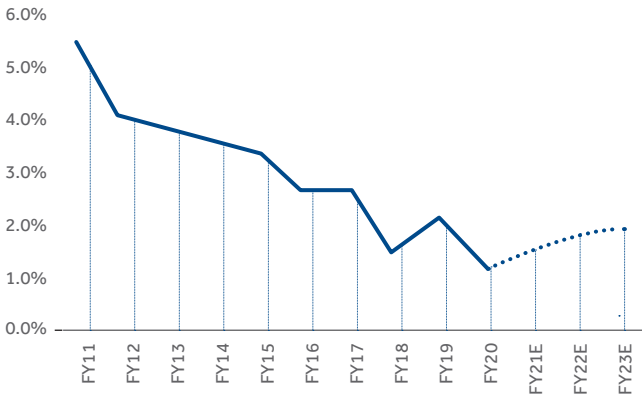
- **Made in India gets shot in the arm:** Over the past few years, many MNCs were shifting base from China to other EMs on the back of rising wage costs as well as compliance and environmental costs. The episode of COVID-19 and the disruption in supply chain has highlighted the perils of overdependence on one country. Hence, this is likely to nudge global MNCs to consider diversifying their manufacturing operations and accelerate the process of shifting manufacturing from China. Simultaneously, over the past few years, Gol has been constantly making efforts to boost Make in India and have taken steps like concessionary tax rates, incentivising foreign investors, increasing sectoral FDI limits, improving ease of doing business, etc. to attract foreign capital and to make India an attractive manufacturing destination. The border standoff between India and China has also accelerated the pace of reforms by the Indian government.

FY 20-21 also saw significant steps taken by the Government in this direction and schemes/steps like Production Linked Incentive (PLI) Scheme for select 13 sectors, increase in import duties on select products, among others, were unveiled. Apart from these reforms, India is also likely to be a preferred destination for setting up manufacturing operations given its large domestic market, geographical advantage, skilled population, availability of raw materials and relatively competitive wages. Thus, the combination of aforesaid factors is likely to boost India's manufacturing and employment over medium-term.

- **Conducive environment for capex:** Over the past few years, weak corporate profitability, stressed bank balance sheets, delay in resolution of cases under IBC, etc. stalled the private capex cycle. However, the situation is fast changing with corporate profitability turning the corner on the back of cost savings, strong economic recovery and rise in commodity prices. While the current capacity utilisation still remains below pre-pandemic period, it has improved significantly from the lows. Thus, the private capex might witness some traction over the coming years. In addition to the above, the likely shift in global supply chain from China to EMs including India is also likely to result in pick up in capex.

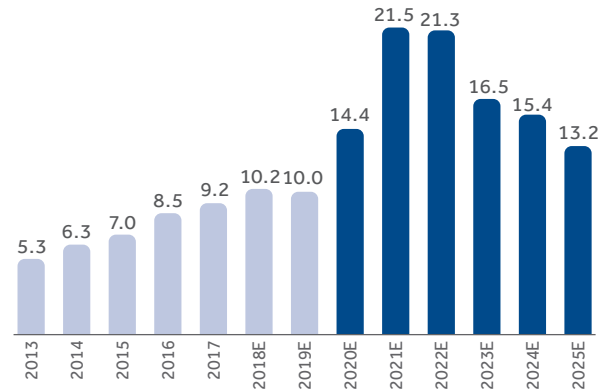
Further, the government has put significant focus on capex in recent times and has aggressively increased the capex budget with focus on infrastructure, roads, defence, etc. Further, Gol's National Infrastructure Pipeline (NIP) with total outlay of more than ₹ 110 lakh crore over FY 2019-25 should aid strong growth in infrastructure spending.

### CORPORATE PROFITABILITY SHOWING SIGNS OF TREND REVERSAL



Sources: Morgan Stanley, Kotak Institutional Equities, Investec, CMIE, NIP; For FY 20-21 onwards, we have estimated corporate profitability by extrapolating FY 19-20 profit of Morgan Stanley universe of companies based on NIFTY 50 profit estimates of Kotak Institutional Equities.

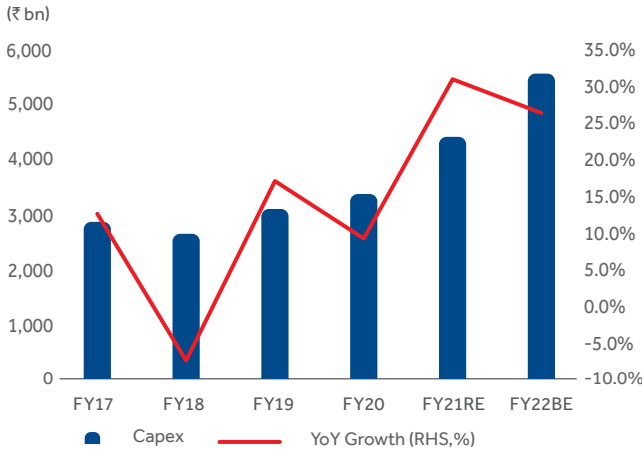
### TOTAL INFRA SPEND (₹ lakh crore)



Source: NIP Documents

In addition to above, the strong recovery in domestic demand, favourable external conditions with global trade improving, ample global and domestic liquidity, improved access to finance, etc. bodes well for the revival of capex cycle in India.

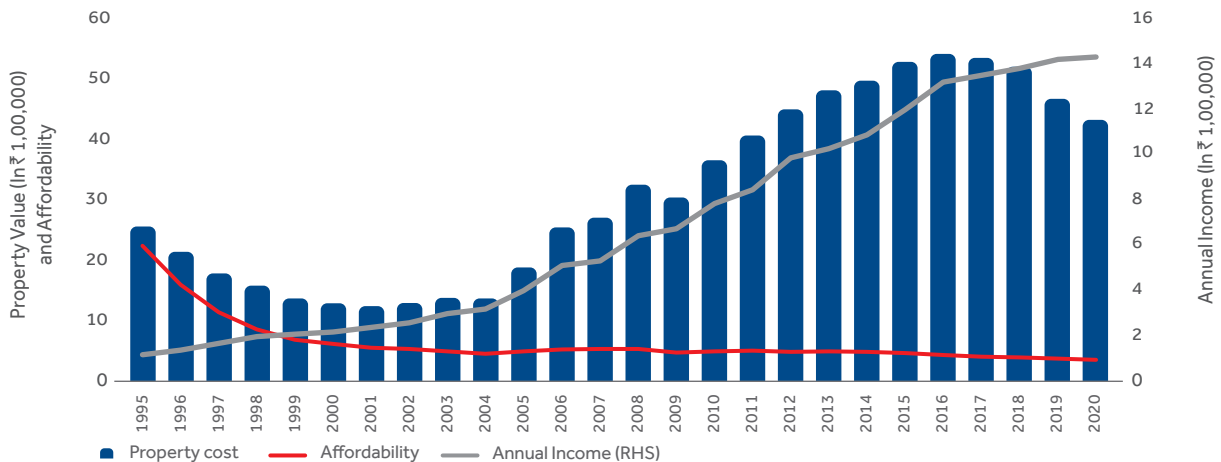
### CENTRAL GOVERNMENT CAPEX SPENDING (₹ bn)



Source: CMIE

- Favourable outlook for Real Estate sector:** The real estate sector in any country is closely linked to its economy and has the potential to revive growth and capex. India's real estate sector is favourably placed and the affordability of real estate sector is one of the best seen in past 25 years with moderation in property cost and rise in annual income. With increased focus of government on the sector and incentives like lower stamp duty provided by many state governments and a low interest rate environment, there is a potential that real estate in India can grow at a healthy pace over the medium-term.

### HOUSING AFFORDABILITY AT 25 YEARS LOW



Source: HDFC Limited Investor Presentation



• **Budget – Makes a decisive push:** The FY 21-22 budget was well received as government increased its thrust on infrastructure with budgeted capital spending scaled up to ~2.5% of GDP from an average spend of 1.8% in past five years. The major measures announced in the budget are:

- Setting up of Development Financial Institution with initial capital of ₹ 20,000 Crore
- Building a National Monetisation Pipeline to monetise existing assets to fund infrastructure spending
- Launched Jal Jeevan Mission, to ensure access of piped water for households, with estimated spending of ~₹ 2.9 lakh crore spread over five years
- Stepped up divestment and privatisation target with intention to remain invested in strategic sectors only. Also, announced privatisation of airports for Operations and maintenance.

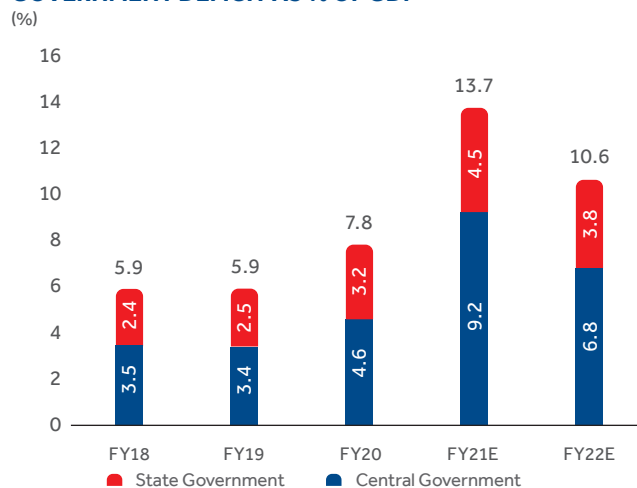
**Fiscal situation**

Gol entered the pandemic on a weak footing as the lockdown in the last week of March 2020 impacted revenue collections. In FY 20-21, the fiscal deficit stretched further as the revenue collections were considerably impacted, especially in first half. However, the recovery in economic activity during the second half made up significantly for the first half shortfall. The gross tax revenues were largely flat on YoY basis as the lower direct tax collections were largely set off by higher duties on auto fuels. However, the non-tax revenues and divestment proceeds were muted and significantly below budget expectations.

The total expenditure rose during the year, driven by increase in capital expenditure and pandemic related fiscal stimulus (which were partially offset by rationalisation of revenue spending). Notably, the government also paid off its dues on food and fertilisers subsidies which widened fiscal deficit by ~2.5-3% of GDP.

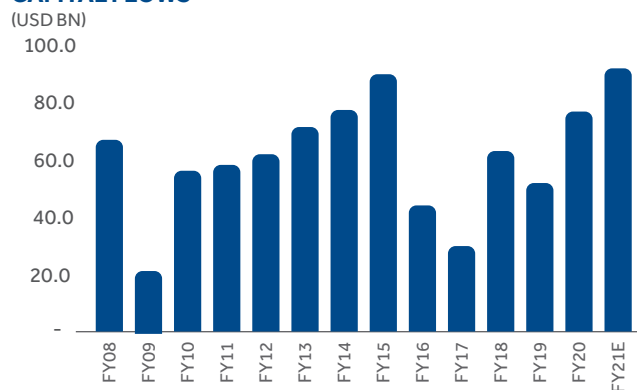
State governments’ own tax revenues were also affected due to the pandemic. The disruption also impacted the GST collections. While states share of GST revenue is protected, given the large shortfall (~1% of GDP) Central and State Governments agreed to meet the shortfall by (1) raising additional loans (~₹ 1.1 lakh crore) to be serviced by the compensation cess collected post June 2022 and (2) by allowing state governments to increase their fiscal deficit by another 0.5% of GDP.

**GOVERNMENT DEFICIT AS % OF GDP**



Source: CMIE, Kotak Institutional Equities estimates

**CAPITAL FLOWS**

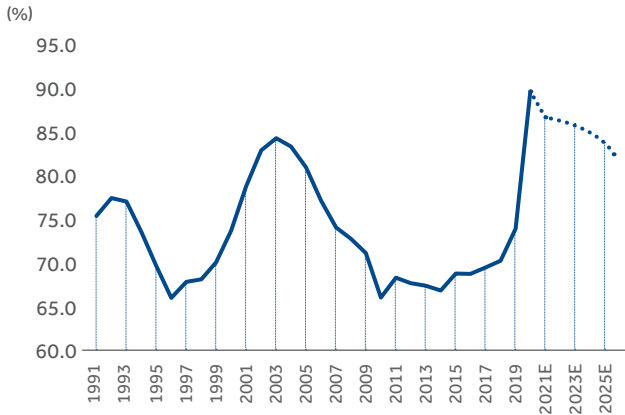


Source: Kotak Institutional Equities

Capital flows = FDI+FPI+ECB+NRI Deposits

Given the sharp rise in fiscal deficits, India’s sovereign debt widened significantly in FY 20-21. Further, given that the central government has relaxed the fiscal deficit target from bringing it down below 3% by FY 22-23 to less than 4.5% by FY 25-26, the sovereign debt is likely to remain at elevated levels over the medium-term. The rise in sovereign debt impacted India’s sovereign ratings, with two of the three major rating agencies putting India’s rating on negative outlook. The overhang on India’s rating is likely to persist for some time, and any change will be determined by a sustained rebound in growth, improvement in financial sectors, path of fiscal consolidation and other such factors.

**SOVEREIGN DEBT % OF GDP**



Source: IMF

**External sector:** One bright spot in the overall difficult economic scenario was India’s external sector. After various degrees of lockdowns/restrictions were imposed by the major countries in March 2020, commodity prices, especially crude oil prices, fell sharply. This was a blessing in disguise for India, which is a large net oil importer. The strict lockdown and its consequent impact on incomes also led to a decline in import demand, especially that of discretionary items such as gold, electronics, etc. This resulted in overall trade deficit falling significantly during the year. However, net services exports moderated only marginally compared to last year. This is likely to result in India reporting a current account surplus (~0.8% of GDP, Source: Kotak Institutional Equities) after a gap 16 years. The strong external outlook and ample global liquidity resulted in capital flows increasing significantly during the year.

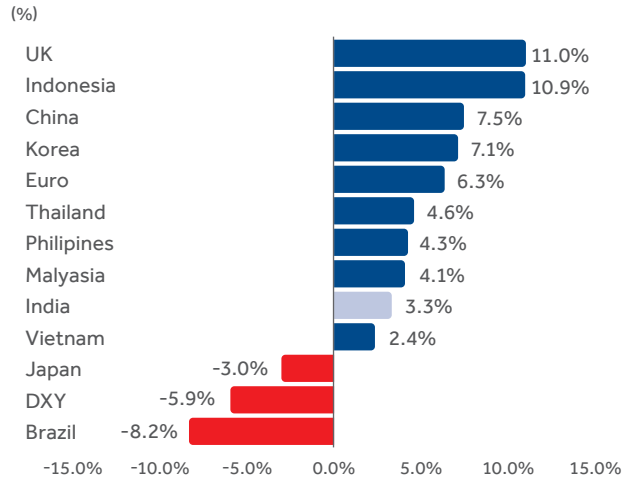
**AS % OF GDP**



Source: Kotak Institutional Equities

Despite the current account turning surplus and large capital inflows, appreciation of the Indian Rupee was relatively low compared to the currencies in other countries due to the RBI’s continued forex intervention throughout the year to stem any significant rise in the Rupee. During the year, the RBI purchased net US dollars of over \$68.3 Billion in the spot market and ~\$78 Billion in forward market. This resulted in India’s foreign exchange reserves rising from \$475 Billion as on March 31, 2020 to \$579 Billion as on March 31, 2021.

**CURRENCY MOVEMENT AGAINST USD IN FY 21**



Source: Bloomberg

Going forward, Balance of Payments (BoP) is set to normalise as oil prices have inched up to pre-COVID levels and domestic demand has also normalised to a large extent. Although the recent surge in COVID-19 cases is likely to moderate the demand to a certain extent, it is expected to normalise once the restrictions are eased. Thus, the current account is likely to turn into a deficit in FY 21-22 (~0.9% of GDP, Source: Kotak Institutional Equities). However, given the ample global liquidity and expectations of strong economic growth, capital flows are likely to remain robust and thus, the outlook on BoP appears comfortable.

**Inflation:** Retail inflation or Consumer Price Index (CPI) averaged 6.2% in FY 20-21 (FY 19-20: 4.8%), higher than the upper range of RBI’s target of 6%, a first since the average inflation targeting was implemented. The increase was driven by food and beverage inflation that averaged ~7.4% in FY 20-21 (FY 19-20: 6%) as a result of supply chain disruption caused by the lockdowns, stocking up by consumers in the midst of uncertainty, unseasonal rainfall, elevated international food prices, and so on. Further, core inflation (CPI ex food and fuel) also inched up significantly and averaged 5.5% in FY 20-21 (FY 19-20: 4.1%). This was a fallout of the increase in duties on auto fuels, higher prices of precious metals as well as industrial commodity prices, recovery in demand being faster than normalisation in supply chain, higher input costs,



widening of retail margins, etc. Going forward, CPI is likely to remain higher than RBI's target of 4% but less than the upper bound of 6% driven by factors such as base effect, strong core inflation momentum, recovery in demands for services as well as rise in input costs given the elevated commodities prices and other cost push pressures like fuel prices, labour costs and so on.

### Equity markets

After the sharp fall in March 2020, the equity markets during the year not only recovered the losses but also touched a new all-time high, propelled by large monetary and fiscal stimulus measures globally, lower cost of capital, strong recovery in economic activity, higher corporate earnings, optimism on the roll-out of vaccines, among other factors.

S&P BSE SENSEX / NIFTY 50 ended the year ~70% higher, outperforming major equity indices of most developed and emerging markets. Further, following years of underperformance, the small cap and mid-cap indices outperformed the large cap. Most of the key sector indices registered strong gains with Metal, Auto, IT and Capital goods performing better than other sectoral indices.

Globally, most major indices also ended the year with high gains, with Korea, Japan, the US and Germany performing better than the rest.

### Domestic and global indices in FY 20-21

% Change in Indices	FY 19-20	FY 20-21
S&P BSE India Auto	(42.9)	107.1
S&P BSE India Bankex	(35.4)	70.3
S&P BSE India Capital Goods	(40.6)	92.1
S&P BSE India FMCG	(12.7)	25.6
S&P BSE India Healthcare	(15.7)	75.6
S&P BSE India Metal	(49.7)	151.2
S&P BSE India Power	(32.3)	79.6
S&P BSE India Oil & Gas	(34.4)	47.9
S&P BSE India IT	(16.0)	106.7
<b>S&amp;P BSE SENSEX</b>	<b>(23.8)</b>	<b>68.0</b>
<b>NIFTY 50</b>	<b>(26.0)</b>	<b>70.9</b>
<b>NIFTY Midcap 100</b>	<b>(35.9)</b>	<b>102.4</b>
<b>NIFTY Smallcap</b>	<b>(46.1)</b>	<b>125.7</b>

% Change	FY 20	FY 20-21
S&P 500	(8.8)	53.7
FTSE	(22.1)	18.4
DAX	(13.8)	51.1
CAC	(17.8)	38.0
Nikkei	(10.8)	54.2
Hang Seng	(18.8)	20.2
KOSPI	(18.0)	74.5
Shanghai	(11.0)	25.1
MSCI Emerging Market Index	(19.8)	55.1

Source: Bloomberg

**Institutional flows:** The rally in the equity markets was aided by strong foreign portfolio investments (FPI). FY 20-21 witnessed the highest ever equity inflow, with net FPI inflow into equity rising to \$37 Billion against \$1.3 Billion in FY 19-20. However, domestic equity oriented mutual funds witnessed outflows of ~₹ 63,000 Crore in FY 20-21 vis-à-vis net inflows of ~₹ 67,000 Crore a year before.

### Equity markets: Key trends in FY 20-21

	NIFTY EPS estimates as on end		
	Mar-20	Apr-20	May-21
FY 20E	525	497	453
FY 20-21E	603	516	531
FY 22E	733	666	711
<b>FY 23E</b>			<b>809</b>
<b>CAGR (FY 20-22E)</b>	<b>18.2%</b>	<b>15.8%</b>	<b>25.3%</b>

Source: Kotak Institutional Equities

### Corporate earnings revive strongly, likely to sustain:

Following a dip in profitability in Q1FY21, corporate earnings witnessed a strong revival from Q2FY21 onwards. This was driven by pent-up demand, improvement in realisation, cost control measures, fast economic recovery, rise in commodity prices, lower NPA provisioning, and so on. Interestingly, corporate earnings in FY 20-21 have been better than initially expected and FY 22E earnings are now estimated to be closer to pre-COVID levels. The outlook on corporate earnings is thus bright as normalisation of economic activity, return of pricing power, lower cost of funding, steady domestic and export demand and other positive trends are likely to sustain over the medium-term. Further, a landmark budget with its focus on economic growth and capex revival augurs well for the new investment cycle and corporate credit growth.

### Dichotomy of a weak real economy and strong equity market performance:

The equity markets' stellar performance over the past year has been a surprise to many, especially given the weakness in real economy and contraction in GDP. There are varieties of factors at play. For one, cost of capital has reduced significantly due to ample domestic and global liquidity. According to estimates, a 1% fall in the cost of capital can result in an increase in fair value by ~10%. Again, the impact on corporate profitability has been far lower than feared earlier, which led to the market free fall of March 2020. Also, recovery in economic activity has exceeded initial expectations. Besides, the impact of the lockdown on the organised segment has been lower and the brunt has been faced by the unorganised segment

**Rising COVID cases and Rising Equity markets:** The equity markets seem unperturbed by the rising number of infections in the ongoing second wave of COVID-19. The likely reason is that markets see the same as a temporary bump in the course of recovery and expect activities to normalise over time. Further, the impact on the earnings of majority of the

NIFTY50 sectors is likely to be temporary and limited. Large players in financial services have emerged stronger due to rising share, lower cost of provisioning and cost savings. Again, the impact on FMCG/pharma/telecom/utilities is likely to be

limited too. Global cyclicals such as Metals, Oil & Gas, etc. may not be majorly affected by local factors. Auto, aviation sectors and other discretionary consumption are likely to experience a relatively higher impact, but it should be transitory.

**Divergence in sectoral valuations:** Another interesting characteristic of this rally has been the divergence in sectoral valuation.

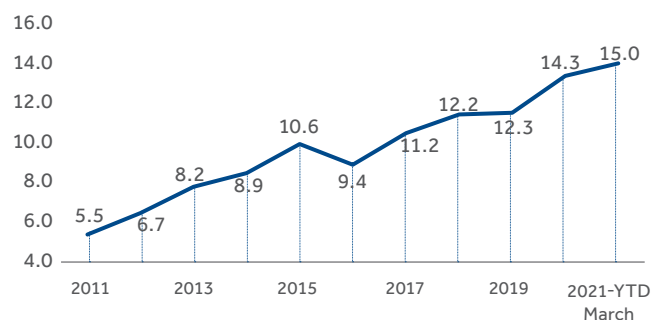
Sector Valuations P/E#	Auto	Consumer staples*	Consumer Discretionary	Oil and gas	Cement	IT services	Pharma	Private Banks P/B	Metals	Tobacco	PSU Banks P/B	Electric utilities
Valuation multiple	22	50.7	63	14.8	34.1	25.5	24.7	2.7	9.5	16.1	0.9	8.1
10Y Average Valuations	15.9	39.4	42.9	11.1	22.1	17.8	22.2	2.5	10.2	24.2	1.1	11
Premium/(discount)^%	38.4	28.5	47	33.4	54.4	43.3	11.3	8.5	-7.6	-33.5	-14.8	-26.5

# - as on March 31, 2021. \*ex tobacco; ^to Long-term (LT) average

Source: Kotak Institutional Equities. Stocks are part of Kotak Institutional Equities universe. Automobile and Oil & Gas valuations are high due to one company. Excluding these, the multiples are 22.8x for Auto & 8.0x for Oil & Gas vs 10 year average multiple of 18.5x & 9x respectively.

### SECTOR VALUATION DIVERGENCE

(annual standard deviation of NIFTY50 ex of financials)



Source: Kotak Institutional Equities

Divergence in sector valuations, as reflected in standard deviation, has been rising and is now at a decadal high. While this divergence has moderated to a certain extent due to rally in the broader market, there are still certain sectors where valuations are below the long-term average.

**Equity market valuations:** The sharp rally in equities has surpassed expectations. But one should view the same in the context that NIFTY 50 returns over the past 10-15 years are at ~10-11% CAGR, which is largely in line with nominal GDP growth. The returns over CY 2018-2020 were polarised with the top 5 stocks accounting for a high proportion of returns (refer following table). Interestingly, the rally is becoming broad based in recent months (refer chart), a trend more supportive of active fund management.

Calendar Year	NIFTY 50 Returns	Top 5 contributors
2005	39.1	48.9
2006	46.2	45.8
2007	57.1	47.7
2008	(51.2)	n.a.
2009	77.9	38.1
2010	19.5	53.5
2011	(23.6)	n.a.
2012	29.9	49.8
2013	8.5	102.3
2014	33.4	38.8
2015	(2.8)	n.a.
2016	4.5	72.8
2017	30.3	48.4
2018	4.6	152.2
2019	13.5	81.3
2020	16.1	81.7
3M2021	5.3	52.5
n.a. – not applicable		

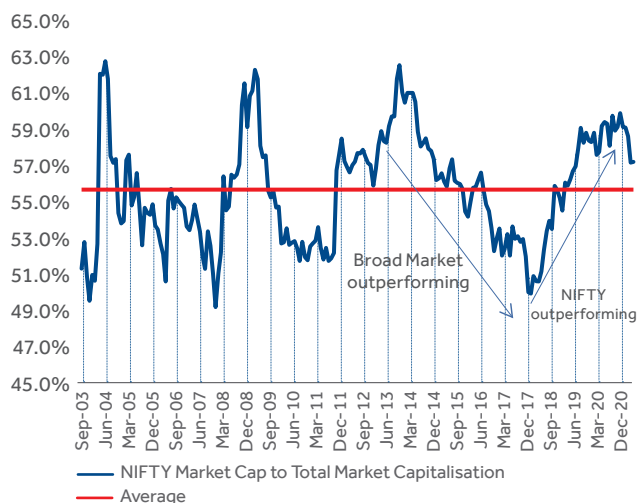
Source: Bloomberg

Thus, in view of the sequential improvement in economic activity, comfortable external scenario, monetary and fiscal measures, low cost of capital, expected improvement in earnings, and other such trends, valuations seem reasonable and market outlook appears positive over medium to long term. However, the significant rise in spread of COVID-19, the unwinding of expansionary fiscal and monetary stimulus, significant rise in crude oil prices, higher than expected NPAs post the moratorium, etc. are key risks in the near term.





### NIFTY MARKET CAP TO TOTAL MARKET CAPITALISATION OFF ITS PEAK



Source: Bloomberg

### Debt markets

FY 20-21 was an action-packed year for Indian fixed income markets. 10-year G-sec yields, which spiked in early April 2020 on the back of massive FPI selling and the fear of a significant rise in fiscal deficit, reversed its course soon and started trending lower. The yield fell below 6%, driven by aggressive monetary easing, but inched up again and hovered around 6% throughout the year. The 10-year yield ended only 3 bps higher than last year despite the central government’s fiscal deficit rising sharply from the budgeted 3.8% to 9.2% of GDP. This was mainly due to the RBI’s intervention through open market operations (OMOs), Operation Twist and others (refer the table on RBI actions).

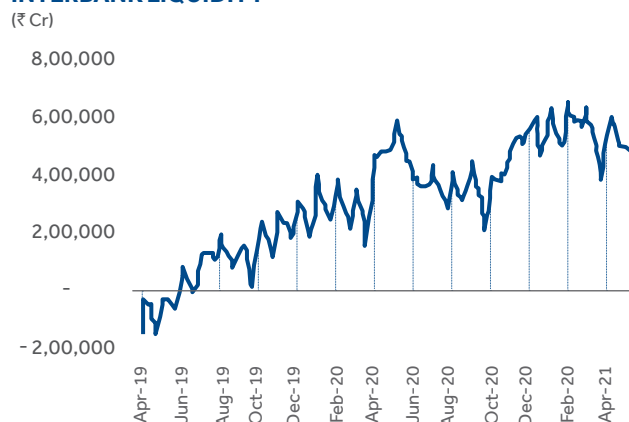


Source: Bloomberg; Term Spread = 10Y Gsec Yield - 364D T-bills cut off yields

Term spread, however, jumped in March 2020 from ~1% to over 2% and remained at elevated levels as the shorter end of the yield curve was firmly anchored due to ample liquidity.

Domestic liquidity remained in ample surplus supported by liquidity infusion by the RBI through LTROs, TLTROs, open market purchases, foreign exchange purchases and other measures. Further, the rise in government spending and the muted credit growth also added to the surplus.

### INTERBANK LIQUIDITY



Source: RBI

### Post-pandemic RBI measures

- Reduction in CRR by 1% for a year and repo and reverse repo rate by 115 bps and 155 bps respectively
- Long Term Repo Operations (₹ 2 Lakh Crore), Targeted LTROs (₹ 1.5 Lakh Crore) and On-Tap LTROs (₹ 1 Lakh Crore)
- Refinance to NABARD, SIDBI, NHB and EXIM bank (₹ 0.75 Lakh Crore)
- Liquidity facility for mutual funds
- Open market operations of ~₹ 3 Lakh Crore during FY 20-21
- Allowed moratorium for loans impacted due to pandemic and later allowed restructuring
- Announced Government Securities Acquisition Programme (G-SAP 1.0) for Q1FY 22 and is likely to expand the same.

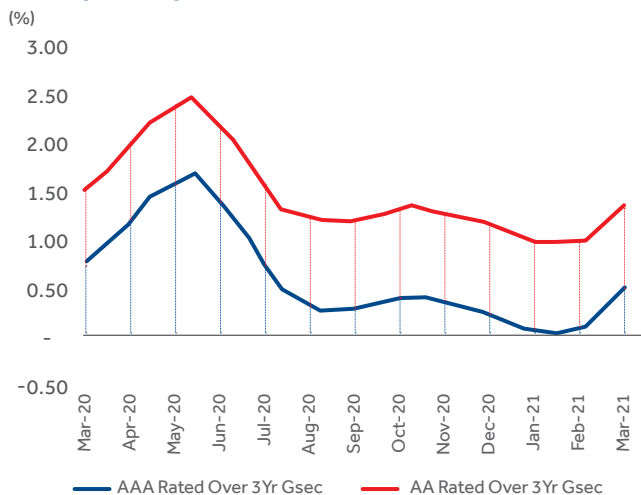
FPI flows into Indian debt markets in FY 20-21 were weak, albeit better than the previous year. The net FPI outflow amounted to ~\$2.2 Billion in FY 20-21 (FY 19-20: \$5.4 Billion).

Going forward, the outlook on yields remains uncertain as rise in international crude prices, increase in 10-year US treasury yields, elevated fiscal deficit and CPI, especially core CPI, etc. pose an upside risk to yields. The high statutory liquidity ratio (SLR) investment holdings of banks and signs of a broad-based improvement in economic activity can also push yields higher. However, the RBI has been consistently intervening to stem any significant rise in the yields, and may continue to do so in

the foreseeable future. Also, muted credit growth, low global rates and ample liquidity bode well for yields in India.

During the year, credit markets faced heightened volatility, resulting in the widening of spreads. This followed from Yes Bank AT1 bonds being written off (in February 2020), imposition of the lockdown, announcement of the winding up of six debt schemes by Franklin Templeton, etc. The spreads normalised from Q2FY 21 onwards, supported by the RBI’s monetary and regulatory easing measures, recovery in economic activity, lower than expected impact of the pandemic on financial institutions, improvement in collection efficiency of banks and NBFCs, and other such factors.

**YIELD SPREADS**



Source: Bloomberg

**A3. Industry environment**

The mutual fund industry closed the year ended March 31, 2021 with a 9% increase in folios from 8.97 Crore in March 2020 to 9.79 Crore in March 2021. Out of the total, 9.73 Crore were individual folios, which saw a jump of 9% from 8.93 Crore last year. During this period, unique investors identified on PAN increased by 9% from 2.08 Crore to 2.28 Crore. The total number of live folios in March 2016 was 4.77 Crore, which grew substantially over the last five years and saw an addition of 5.02 Crore net new folios.

During the year, SIP flows continued to be resilient despite the operations of several businesses being hampered due to COVID-19. The mutual fund industry added 1.41 Crore new SIP registrations and saw annual SIP flows of ₹ 96,080 Crore in FY 20-21, a decrease of 4% from FY 19-20 that saw annual SIP flows of ₹ 1,00,084 Crore. It is interesting to note

Source: Industry data from www.amfindia.com

that the annual SIP flows in FY 16-17 had been ₹ 43,921 Crore whereas the year gone by has seen about double that number signifying a very healthy trend of long-term growth.

Asset under management (AUM) as of March 31, 2021 rose by 41% to ₹ 31.4 Lakh Crore as against a closing AUM of ₹ 22.3 Lakh Crore as of March 31, 2020. During this period, equity-oriented AUM rose by 58% from ₹ 8.3 Lakh Crore to ₹ 13.0 Lakh Crore, while the non-equity oriented AUM grew from ₹ 14.0 Lakh Crore to ₹ 18.4 Lakh Crore. The large growth in equity AUM can be attributed to a rapid growth in the market. From April 2020 to March 2021, the IISL NIFTY 50 TR and IISL NIFTY 500 TR indices have increased 73% and 78% respectively.

The Annual Average Assets Under Management (AAAUM) for the industry rose by 9% to ₹ 28.5 Lakh Crore for FY 20-21 as against ₹ 26.3 Lakh Crore for FY 19-20. AAAUM for equity-oriented assets grew by 5% to ₹ 10.8 Lakh Crore for FY 20-21 from ₹ 10.3 Lakh Crore for FY 19-20, while, AAAUM for non-equity assets grew by 11% in FY 20-21 against FY 19-20. During FY 20-21, the Mutual Fund industry saw net outflows to the tune of ₹ 0.63 Lakh Crore for equity-oriented assets, ₹ 0.24 Lakh Crore for liquid assets, while debt saw inflows to the tune of ₹ 2.20 Lakh Crore, and Others, including Arbitrage funds, Exchange Traded Funds (ETF) and Fund of Funds (FoF), saw net inflows of ₹ 0.82 Lakh Crore. Overall, the industry saw net inflows of ₹ 2.15 Lakh Crore.

As of March 2021, individual investors contributed to 54% of the industry monthly average AUM (MAAUM), adding up to ₹ 17.3 Lakh Crore, while institutional investors contributed 46% of industry MAAUM with ₹ 14.9 Lakh Crore. The MAAUM for the industry was split in the ratio 84:16 between the top 30 cities (T30) and beyond the top 30 cities (B30). The total industry MAAUM in March 2021 stood at ₹ 32.2 Lakh Crore. Contribution from B-30 AUM has remained constant. Out of ₹ 5.2 Lakh Crore, ₹ 3.4 Lakh Crore comes from equity-oriented MAAUM. Although B-30 forms 16% of total industry MAAUM, their contribution to equity MAAUM is 27%.

**Indian mutual fund industry: recent trends**

The AUM of the mutual fund industry in India has grown at a CAGR of 20.6% over the past five years, with the equity AUM growing at a CAGR of 25.0%. Rising awareness about the benefits of investing in equity markets, growing popularity of ways of investing, for example through 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 ₹ 17.3 Lakh Crore in March 2021, and has recorded a growth of 22.9% since March 2016.



Net inflows into the industry over the past five fiscal years were ₹ 10.26 Lakh Crore, of which ₹ 4.91 Lakh Crore have been in equity-oriented schemes. Fixed income products, including liquid funds, have also seen increasing popularity amongst corporate as well as retail and high net worth investors.

Monthly SIP flows grew 3x from April 2016 to ₹ 9,182 Crore in March 2021. The number of SIP transactions processed in March 2021 was 3.73 Crore as compared to 1.01 Crore in April 2016. SIPs offer the benefit of regular investing coupled with the benefits of rupee cost averaging. They are typically sticky long-term inflows and lend both visibility and predictability of AUM growth.

The Asset Management industry has become a significant part of the financial services industry as well as the overall economy in India. The industry has reached its current level after a lot of collective effort, but given the low penetration of mutual funds in India, it still has a lot of headroom for growth.

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

5-Year CAGR: 20.6%

	2017	2018	2019	2020	2021
Equity AUM	6.28	9.22	10.21	8.26	13.00
Debt AUM	7.61	7.99	7.30	7.76	10.58
Liquid AUM	3.14	3.36	4.36	4.15	4.08
Other AUM	0.52	0.79	1.93	2.09	3.77
<b>Total</b>	<b>17.55</b>	<b>21.36</b>	<b>23.80</b>	<b>22.26</b>	<b>31.43</b>

Source: AMFI. Data as of March 31 each year. March 2016 has been taken as the base for CAGR calculation.

## B. Business review

### B1. Business overview

HDFC AMC is the investment manager to HDFC Mutual Fund. HDFC Mutual Fund had a closing AUM of ₹ 3.96 Lakh Crore as of March 31, 2021, and total Annual Average AUM (AAAUM) of ₹ 3.84 Lakh Crore for the year ended March 2021. Equity-oriented closing AUM formed ₹ 1.70 Lakh Crore of our total AUM, with non-equity oriented closing AUM making up the rest.

**We have a diversified product mix that caters to the needs of our investors by taking various factors into consideration such as long term and short term time horizons. Our portfolio has high risk and low risk products, products in multiple asset classes including gold, solutions-oriented products, asset allocation products and hybrid products. Our vast suite of savings and investment products provides us with**

**the flexibility to operate successfully across various market cycles, address market fluctuations, reduce concentration risk in a particular asset class and work with diverse sets of distribution partners. We continue to add to our product suite based on the needs of our investors.**

These unique strengths coupled with a well laid out and strong distribution network, widespread presence across the country and top-of-the-line digital infrastructure have been, and will continue to be, the backbone of our growth.

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, 2021, the aggregate assets under these services stood at ₹ 9,735 Crore.

### B2. Operational performance review

Our Company's closing AUM as of March 31, 2021 rose by 24% to 3.96 Lakh Crore as against a closing AUM of ₹ 3.19 Lakh Crore as of March 31, 2020. During this period, actively managed equity-oriented AUM rose from ₹ 1.20 Lakh Crore to ₹ 1.65 Lakh Crore. Our Company's total mutual fund AAAUM rose by 3% to ₹ 3.84 Lakh Crore for FY 20-21, as against ₹ 3.73 Lakh Crore for FY 19-20. AAAUM for actively managed equity-oriented assets fell by 9% to ₹ 1.48 Lakh Crore for FY 20-21 as against ₹ 1.62 Lakh Crore for FY 19-20.

We remain the most preferred choice for individual investors, with the highest market share in assets from individual investors at 13.7%. We had about 53 Lakh unique investors at the close of the year as against 2.28 Crore unique investors in the mutual fund industry. In other words, 23 out of every 100 mutual fund investors in India has invested in one or more of HDFC Mutual Fund schemes. We have a market share of 12.6% in total closing AUM, and 12.9% market share in actively managed equity oriented funds. Equity-oriented assets form 43% of our total AUM. The number of live individual accounts we serve stood at 88.6 Lakh as on March 31, 2021. HDFC AMC processed 3.6 Crore systematic transactions from April 2020 to March 2021, amounting to ₹ 11,100 Crore. About 84% of all systematic transactions have been signed up for over 5 years and about 73% for over 10 years.

Source: Industry- [www.amfindia.com](http://www.amfindia.com), Company-Internal  
For details on Mutual Fund AUM, Refer page 6 & 7

### Actioning our Business Continuity Plan during the lockdown

In the initial phase of the pandemic we successfully activated our Business Continuity Plan (BCP). We facilitated work-from-home for our employees during the year, even as they continued to engage with customers, partners and service providers. We created a safe environment with necessary protocols in place for our essential employees and those who needed to work from the office/branches whenever required.

Our IT systems and digital platforms were the pillars on which we are able to operate seamlessly. We enhanced the capacity of our cloud-based infrastructure to manage the additional online volumes and activity. Over the course of the year, the remote working model has matured and currently we are able to conduct our operations seamlessly from remote locations.

More than 80% of our transactions (non-systematic and new systematic registrations) during 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 moved to an online model of conducting meetings to ensure smooth flow of information.

Throughout the year our teams engaged with our customers and distributors for processing transactions online. We have been leveraging our digital platforms comprising the corporate website, 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 also interact with distributors and customers over video and audio calls.

### B3. Financial performance review

- Our Company's Total income has increased by 2.72% to ₹ 2,201.74 Crore in FY 20-21
- The Profit After Tax (PAT) stood at ₹ 1,325.76 Crore and grew by 5.02% over FY 19-20
- The Operating Profit (Profit Before Tax less Other income) decreased by 7.48% to ₹ 1,399.74 Crore in FY 20-21
- PAT as a percentage of Annual Average AUM increased from 0.34% in FY 19-20 to 0.35% in FY 20-21
- The Company's Average Networth increased by 24.02% to ₹ 4,402.72 Crore in FY 20-21.

#### Financial Performance with Respect to our Operations

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

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

The Company had adopted Ind AS with effect from April 01, 2018. Effective April 01, 2019, the Company had 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 29 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

The COVID-19 pandemic and consequent lockdown imposed in March 2020 impacted a whole range of economic activities adversely. The phase wise opening up initiated in the quarter ended June 30, 2020 led to a recovery in varied measures across different sectors of the economy, industries and businesses.

While the situation looked quite upbeat in Jan-Feb 2021, due to the onset of the 'second wave', things have deteriorated quickly since then. An accelerated increase in the number of COVID-19 cases has necessitated imposition of restrictions which may once again inhibit economic activity and affect markets.

The extent to which the second wave of COVID-19 pandemic will impact the Company's financial statements will depend on ongoing as well as future developments, which at this juncture are highly uncertain.

While it is expected that economic activity will improve once restrictions are eased and vaccinations pick up speed, the situation will have to be closely monitored till the pandemic is put to rest.

The management does not, at this juncture, believe that the impact of the pandemic on the functioning of the Company on a medium to long term is likely to be 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 have an impact on the operations of the Company. Since the situation is still uncertain, the ultimate effect on the operations of the Company may be, to some extent, different from that estimated currently. The Company continues to closely monitor changes in economic conditions, markets and the mutual fund industry.



The following table sets forth selected financial information from our Statement of Profit and Loss for FY 20-21 and FY 19-20.

PARTICULARS	₹ (in Crore)		% Change
	For the year ended March 31, 2021	For the year ended March 31, 2020	
Revenue from Operations	1,852.53	2,003.25	(7.52)
Other Income	349.21	140.18	149.12
<b>Total Income</b>	<b>2,201.74</b>	<b>2,143.43</b>	<b>2.72</b>
Finance Costs	8.95	8.98	(0.33)
Fees and Commission Expenses	5.69	20.89	(72.76)
Employee Benefits Expenses	226.75	214.71	5.61
Depreciation, Amortisation and Impairment	55.41	50.37	10.01
Other Expenses	155.99	195.43	(20.18)
<b>Total Expenses</b>	<b>452.79</b>	<b>490.38</b>	<b>(7.67)</b>
<b>Profit Before Tax</b>	<b>1,748.95</b>	<b>1,653.05</b>	<b>5.80</b>
Current Tax	369.39	410.52	(10.02)
Deferred Tax	53.80	(19.88)	(370.62)
<b>Tax Expense</b>	<b>423.19</b>	<b>390.64</b>	<b>8.33</b>
<b>Profit After Tax</b>	<b>1,325.76</b>	<b>1,262.41</b>	<b>5.02</b>

### Revenue from Operations

Revenue from operations comprises of investment management fees from the Mutual Fund and portfolio management services and advisory fees.

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

The decrease in Revenue from Operations from ₹ 2,003.25 Crore in FY 19-20 to ₹ 1,852.53 Crore in FY 20-21, was largely due to decrease in investment management fee by 6.40% from ₹ 1,965.28 Crore in FY 19-20 to ₹ 1,839.51 Crore in FY 20-21. While Average AUM for FY 20-21 was higher than that of FY 19-20, the asset class mix became less remunerative primarily due to reduction in the proportion of Equity schemes within the total AUM as well as outflows in Credit Risk category of schemes. This led to the decrease in investment management fees.

Portfolio Management Fee and Other Advisory Services Fee of FY 19-20 included a certain amount of performance fees which did not accrue in FY 20-21 due to non-fulfillment of certain parameters and hence the same has decreased from ₹ 37.97 Crore in FY 19-20 to ₹ 13.02 Crore in FY 20-21.

### Other Income

Our investment book rose in value due to retained surpluses. As on April 01, 2020, the Company held certain

Non-Convertible Debentures (NCDs) that were secured by a pledge of listed equity shares. These NCDs have been classified as financial assets at fair value through profit and loss. Hence, any realised gain on their sale/changes in fair value is reflected under 'Other Income'.

The fair valuation of these NCDs had resulted in recognition of an unrealised loss of ₹ 120.36 Crore in the FY 19-20. During FY 20-21, the Company had invoked and sold a majority of the pledged shares. There is a net gain of ₹ 85.65 Crore in FY 20-21 which consists of profit from sale of these shares as well as accretion in the fair value of the residual pledged shares.

Accordingly, our other income increased by 149.12% from ₹ 140.18 Crore in FY 19-20 to ₹ 349.21 Crore in FY 20-21 because of gain on NCDs as explained above which is non-recurring in nature as well as fair value gains on other investments.

### Finance Costs

Finance Costs are on account of accounting treatment prescribed under 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 on sale of our mutual fund schemes, PMS and advisory mandates. In accordance with SEBI guidelines, no commission on fresh sale of mutual fund schemes was charged to the Company. Our Fees and Commission expenses decreased by 72.76% from ₹ 20.89 Crore in FY 19-20 to ₹ 5.69 Crore in FY 20-21 mainly due to reduction in amortisation of mutual fund commissions paid in the past. The residual unamortised amount of such commissions is miniscule.



### Employee Benefits Expenses

Our employee benefits expenses increased by 5.61% from ₹ 214.71 Crore in FY 19-20 to ₹ 226.75 Crore in FY 20-21 due to the following reasons:

- An increase in salaries and allowances of employees. This increase was led by an increase in the number of employees during FY 20-21 as well as an increase in certain emoluments for employees.
- The Nomination and Remuneration Committee of the Board of Directors of the Company at its meeting held on February 22, 2021 had approved grant of 11,45,000 stock options representing 11,45,000 equity shares of ₹ 5 each, at a grant price of ₹ 2,934.25 per equity share (being the market price as defined in the applicable SEBI Regulations), to its eligible employees under Employees Stock Option Scheme - 2020 ("ESOS - 2020"). In terms of ESOS - 2020, the options shall vest in three tranches. Each of these tranches consisting of 1/3 of the options granted shall vest on the completion of the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> year from the date of the grant respectively. The total charge towards these stock options for the FY 20-21 is ₹ 7.35 Crore and the same is appearing as Share Based Payments to Employees.

Accounting for equity settled share based payment transaction at fair value increases the non cash component of Employee Benefits Expenses and is reflected in Share Options Outstanding Account under Other Equity. This balance of Share Options Outstanding Account is transferred to Securities Premium as and when the stock options are exercised by the employees and hence neutral to Equity of the Company.

### Depreciation, Amortisation and Impairment

Our Depreciation, Amortisation and Impairment increased from ₹ 50.37 Crore in FY 19-20 to ₹ 55.41 Crore in FY 20-21, primarily due to higher depreciation charge on Computer Equipment, Computer Softwares and Right of Use assets created as per IND AS 116.

### Other expenses

Our other expenses decreased by 20.18% from ₹ 195.43 Crore in FY 19-20 to ₹ 155.99 Crore in FY 20-21 primarily due to a decrease in 'Advertisement, Publicity and Business Promotion expenses', 'Office Cleaning and Security Cost', 'Printing, Stationery and Courier expenses', 'Travel and Conveyance', 'Outsource Service Cost', 'Legal and Professional Fees', and 'Miscellaneous Expenses'. These savings were largely due to muted business environment on account of the ongoing pandemic. However, there has been an increase in Software related expenses and Corporate Social Responsibility expense.

Our Advertisement, Publicity and Business Promotion expenses decreased from ₹ 26.88 Crore in FY 19-20 to ₹ 14.99

Crore in FY 20-21. Our Office Cleaning and Security Cost decreased from ₹ 19.82 Crore in FY 19-20 to ₹ 16.76 Crore in FY 20-21. Our Printing, Stationery and Courier expenses decreased from ₹ 12.50 Crore in FY 19-20 to ₹ 7.90 Crore in FY 20-21. Our Travel and Conveyance expenses decreased from ₹ 7.22 Crore in FY 19-20 to ₹ 2.07 Crore in FY 20-21 mainly due to travel restrictions and in-person interactions going virtual. Our Outsourced Service Cost decreased from ₹ 25.25 Crore in FY 19-20 to ₹ 22.23 Crore in FY 20-21.

During the FY 19-20, for matters related to Essel group exposure in certain fixed maturity plans of HDFC Mutual Fund, the Company being the Investment Manager to HDFC Mutual Fund, had compensated an amount of ₹ 4.47 Crore to the unit holders of the affected mutual fund schemes and had also paid the settlement amount of ₹ 4.20 Crore to SEBI. The investor compensation paid formed part of Miscellaneous expenses and the settlement amount paid to SEBI formed part of Legal & Professional Fees. Accordingly, our Legal and Professional Fees decreased from ₹ 13.74 Crore in FY 19-20 to ₹ 5.72 Crore in FY 20-21 and our Miscellaneous Expenses decreased from ₹ 9.78 Crore in FY 19-20 to ₹ 3.69 Crore in FY 20-21.

Software Expenses increased from ₹ 10.50 Crore in FY 19-20 to ₹ 15.95 Crore in FY 20-21 due to technology improvements and digitisation during the current year. In accordance with the requirement of the Companies Act, 2013, our Corporate Social Responsibility expenses increased from ₹ 20.90 Crore in FY 19-20 to ₹ 26.99 Crore in FY 20-21.

### Profit Before Tax

Our Profit Before Tax increased by 5.80% to ₹ 1,748.95 Crore in FY 20-21 from ₹ 1,653.05 Crore in FY 19-20.

### Tax expenses

Our total tax expenses increased by 8.33% to ₹ 423.19 Crore in FY 20-21 from ₹ 390.64 Crore in FY 19-20. Our current tax charge decreased to ₹ 369.39 Crore in FY 20-21 from ₹ 410.52 Crore in FY 19-20. Our deferred tax charge increased to ₹ 53.80 Crore in FY 20-21 from a credit of ₹ 19.88 Crore in FY 19-20 mainly on account of movement in 'fair value gains/ losses and impairment on investments'. Our effective tax rate, including deferred tax was at 24.20% and 23.63% for FY 20-21 and FY 19-20, respectively. Our Company had 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.

### Profit After Tax

As a result of the factors outlined above, our Profit After Tax increased by 5.02% to ₹ 1,325.76 Crore in FY 20-21 from ₹ 1,262.41 Crore in FY 19-20.





## Dividend

Your Directors have recommended a final dividend of ₹ 34 (Rupees Thirty Four Only) per equity share of Face Value of ₹ 5 each for the financial year ended March 31, 2021. The Dividend payout ratio for the FY 20-21 would stand at 54.61%.

## Statement of Assets and Liabilities

The following table sets forth selected financial information from our Balance Sheet as at March 31, 2021 and March 31, 2020.

PARTICULARS	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
<b>Assets</b>		
Financial Assets	4,871.71	4,066.14
Non-Financial Assets	222.99	242.46
<b>Total Assets</b>	<b>5,094.70</b>	<b>4,308.60</b>
<b>Liabilities and Equity</b>		
Financial Liabilities	230.01	225.10
Non-Financial Liabilities	88.51	54.24
<b>Total Liabilities</b>	<b>318.52</b>	<b>279.34</b>
<b>Total Equity</b>	<b>4,776.18</b>	<b>4,029.26</b>
<b>Total Liabilities and Equity</b>	<b>5,094.70</b>	<b>4,308.60</b>

## Financial Assets

### Investments

Investments of the Company grew from ₹ 3,944.51 Crore in FY 19-20 to ₹ 4,753.25 Crore in FY 20-21

- The increase in Investments carried at fair value through Profit and Loss from ₹ 3,419.96 Crore in FY 19-20 to ₹ 4,263.12 Crore in FY 20-21 is primarily due to net purchase of mutual funds
- The investments carried at amortised cost have decreased from ₹ 524.55 Crore in FY 19-20 to ₹ 490.13 Crore in FY 20-21 mainly due to redemption of preference shares during the year

## Key Financial Ratios

PARTICULARS	For the year ended March 31, 2021	For the year ended March 31, 2020	% Change Increase / (Decrease)
Annual Average AUM (₹ in Crore)	3,84,139.23	3,72,966.37	3.00
Profit After Tax as a % of Annual Average AUM	0.35	0.34	1.96
Debtors Turnover (times)	26.37	27.97	(5.72)
Current Ratio (times)*	6.44	11.96	(46.15)
Operating Profit Margin (%)	75.56	75.52	0.05
Net Profit Margin (%)	60.21	58.90	2.22

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, 2021 and 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.

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

## Non-Financial Assets

Non-Financial Assets have decreased from ₹ 242.46 Crore in FY 19-20 to ₹ 222.99 Crore in FY 20-21. This decrease is primarily due to:

- Movement of net Deferred Tax balances from Non-Financial Assets to Non-Financial Liabilities. This was largely on account of the movement in the component of deferred taxes on 'fair value gains/losses and impairment on investments' as explained in the Tax Expense section above
- Increase in Other Non-Financial Assets - an amount of ₹ 12.46 Crore was paid to the incoming Managing Director as one-time payment and the same is being amortised as per the terms of the contract. Out of the same, ₹ 0.50 Crore forms part of Employee Benefits Expenses and the balance unamortised amount of ₹ 11.96 Crore as at March 31, 2021 is booked as prepaid under Other Non-Financial Assets.

## Financial Liabilities

Financial Liabilities have increased from ₹ 225.10 Crore in FY 19-20 to ₹ 230.01 Crore in FY 20-21. This increase is primarily due to increase in liability towards Employee Benefits accrued during the year.

## Non-Financial Liabilities

Non-Financial Liabilities have increased by ₹ 34.27 Crore in FY 20-21. This increase is primarily due to movement of net Deferred Tax balances from Non-Financial Assets to Non-Financial Liabilities as explained in the Non-Financial Assets section.

## Total Equity

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

**Return On Network (Computed on Average Network)**

PARTICULARS	₹ (in Crore)		% Change
	For the year ended March 31, 2021	For the year ended March 31, 2020	
Networth at the Beginning of the Year	4,029.26	3,070.72	31.22
Networth at the End of the Year	4,776.18	4,029.26	18.54
<b>Average Network</b>	<b>4,402.72</b>	<b>3,549.99</b>	<b>24.02</b>
<b>Profit After Tax</b>	<b>1,325.76</b>	<b>1,262.41</b>	<b>5.02</b>
<b>Return on Average Network (%)</b>	<b>30.11</b>	<b>35.56</b>	<b>(15.33)</b>

Return on Average Network decreased from 35.56% in FY 19-20 to 30.11% in FY 20-21. This is due to a higher % change in Average Network as compared to % change in Profit After Tax.

**B4. Outlook**

Over the last five years, India has been amongst the fastest growing mutual fund markets in terms of AUM. However, India's mutual fund AUM as a percentage of GDP is 15% versus the global average of 75%, equity AUM to market cap is about 7% as against a global average of 34% and India has more than approximately 50 Crore income tax Permanent Account Numbers (PAN) but only 2.2 Crore mutual fund investors. This signifies that there is immense scope for the industry to grow.

A few factors which can contribute to this growth are:

- Healthy savings rate of Indian households
- Increased financial literacy and more awareness about capital markets and their benefits
- Efforts put in by regulators, Association of Mutual Funds in India (AMFI), media, asset management companies and distributors in educating investors about the benefits of investing in mutual funds products
- Further expansion of the asset management industry into B-30 locations will help capture a significant portion of Indian household savings
- Technology can enable asset management companies to improve efficiencies and deliver better customer experience
- Simplifying on-boarding processes will increase the industry customer base significantly
- Growing use of fintech platforms that has introduced large pool of new investors to the industry. This will further help increase distribution and spread awareness about mutual fund products
- Increased digitalisation connecting consumers to the industry more rapidly, allowing AMCs to expand services and improve penetration
- SIPs continue to account for a large portion of inflows; initiatives such as large-scale advertising have improved outreach.

Given our strong positioning in the mutual fund industry, we are well placed to capture and capitalise on the opportunities in the domestic market. 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:

- Continuing to expand range of products and solutions across asset classes to cater to various financial needs and aspirations of consumers
- Capitalising on our existing reach and distribution network and further enhancing the same
- Modernising digital platforms not only to service customers and distribution partners but also to acquire new customers and aid distributors to acquire new customers
- Remaining cost conscious while investing in the future in a calibrated manner.

**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 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 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. It has also issued, as a part of the 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, 2021, our internal financial controls were adequate and operating effectively.

Over the course of the year the remote working environment required the Company to adjust and adapt certain control mechanisms which was done in a manner so as to ensure that there has been no material change in the overall control environment of the operations of the Company.

#### D. Information Technology (IT)

At HDFC AMC, we have deployed best-in-class IT systems, Resilient IT Infrastructure and processes, which play a crucial role in boosting agility, increase productivity, hence 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. All upgrades and fixes are well managed and installed to keep our business up and running without user or business interruption.

We have appointed HDFC Limited 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 & effective governance have resulted in matured cyber security frameworks. Our IT assets are reviewed and audited regularly by independent agencies. Our systems are subject to intense scrutiny and validations in the systems audit. Proactive measures are taken to ensure that they are adequately protected against external threats.

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

During the COVID-19 Pandemic BCP Plans were fully tested and all the critical functions worked seamlessly from alternate sites, the Virtual Private Network connectivity ensured that

all the critical functions not only worked seamlessly from home but also adhered to all regulatory timelines.

Over the course of the year, the initial initiation of the BCP gradually morphed into a regular functioning requirement and the IT infrastructure was strengthened continuously to cater to the increasing demands of a full-fledged remote working environment. It has now become a mature operating environment and the Company continues to invest in additional IT assets as required.

#### 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 and other business activities permitted under Regulation 24(b) of SEBI (Mutual Funds) Regulations.

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 functions concerned 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 Conflict of Interest Policy, Outsourcing Policy, Code of Conduct for Prevention of Circulation of Unauthenticated News, and a 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 its 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 is monitored using a software system. The Compliance team also reviews the implementation status of various requirements by coordinating with the respective functions.

External independent internal auditors have been appointed to review activities of each department and function, including the compliance function. They review certain compliance reports before they are submitted to our Board and the regulators concerned. 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 regulators and agencies concerned. 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 RBI, 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.

During the COVID-19 pandemic, the BCP norms were activated and the department could function from home, comply with various regulatory requirements and engage with other teams, service providers, regulators and industry bodies seamlessly to make representations on challenges faced and relaxations required. Due to branch closures in the initial lockdown phase, our teams were available for any kind of assistance required by our investors and distributors for continued processing of transactions through electronic modes.

## F. Operations

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

The MFO team is responsible for servicing customers of the Mutual Fund and Segregated accounts. The responsibilities *inter alia* includes investment administration, banking, asset valuation and unit pricing, unit administration, overseeing customer service centre operations, coordination with the RTA, redressal of customer grievances, anti-money laundering (AML), regulatory compliances/reporting and management of the information system.

The 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 clients' portfolios, providing various reports to the management, and liaising with bankers and custodians.

The PMSO and MFO functions are kept completely separate and operate with a separate set of systems and teams.

All operational activities are subject to independent audits. Internal auditors perform transactional and risk-based audit, apart from undertaking process reviews on a regular basis. Statutory auditors have been appointed, as required under the relevant regulations for our schemes, portfolio management and segregated account services. In addition, all applications used in our 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, enhancing scalability and bringing efficiency to meet various timelines. We keep upgrading our systems and re-engineering our processes to ensure a high standard of regulatory compliance and governance. We also have a comprehensive Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) for the entire operations of the AMC, and these are periodically tested and placed before the Board of Directors for review. The COVID-19 pandemic put to test the comprehensive BCP and DRP outlined for the entire operations of the Mutual Fund business. But we ensured that the transition to work from home (WFH) was seamless during the lockdown period. We also ensured that the service providers who are critical for our business also adhere to acceptable standards of governance, compliance, IT preparedness and review their BCPs from time to time.

## G. Risk management

Our risk management practices have been designed taking into consideration the varying needs of our organisation, operating structure, business operations and regulatory requirements. Our risk management philosophy clearly defines the lines of defence within the organisation. The Board approved risk management 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 respective functions.

Risk assessment and mitigation strategies are 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 the risk profiles are managed within the policy limits.

Given the rapid technological and digital advancement in the securities market, cyber risks are inevitable. Hence, a strong cyber risk management is essential. Our Company has a strong Cyber Risk Management framework wherein cyber risk and its mitigation are monitored by the Information Technology Security Committee and Risk Management Committee of the Company. Key areas covered under the cyber risk management include strong adherence to the Board approved Information and Cyber Security Policies, compliance with SEBI guidelines and ISO 27001 standards to



ensure that we are in line with industry best practices. Our Company maintains a robust cyber security architecture and has in place a cyber resilience framework to protect the integrity of data and guard against breaches of privacy.

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 risk management and internal controls of the organisation. Our statutory auditor carries out a review of our internal controls over financial reporting to the extent of the scope laid out in their audit plans. All significant audit observations and follow-up actions thereon are periodically reported to the Audit Committee and closely monitored for effective implementation.

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.

## H. 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 insurance policy covers any liability arising out of operations of 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.

## I. 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.

## J. Digital platforms

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

We provide an end-to-end digital onboarding solution for retail individual investors and for our mutual fund distributors.

Building multiple channels to support diverse end-user preferences both for investors and partners has been our focus. Our digital solutions include our web portal, mobile application, WhatsApp, transaction bot and pre-filled transaction links to facilitate digital transactions. The Transaction bot is common across investors and partners. We have also implemented specific interventions in the investor journey to improve experience, e.g. multi-channel approach to connect with an investor while transacting if there is a drop during completion, personalised communication on portal, nudges and so on. As a part of our partner solutions, we provide an array of services for our partners to transact digitally – web portal, app, WhatsApp, agent desk for transactions and investor servicing requests, quick links to create transactions for their investors, digital marketing tool and more. Our corporate website not only hosts information but is also powered with leading smart search technology, transaction bot etc. Built on an open source CMS, it powers our business users enabling them to add, modify and update without any IT intervention.

We have invested heavily in technology and people to build and scale up our in-house digital capabilities. Our technology platform is on cloud, built using cloud native technologies. It is a micro services based open architecture. We continuously improvise on our cloud security. These factors ensure that our technology platform is secure, scalable and robust.

We also leverage emerging technologies to enhance user experience e.g. artificial intelligence for our website search, robotic process automation for our technology testing etc.

Improving and building new competencies within the digital domain continue to be our focus. We are providing multiple platforms (web portal, app, bots, contact centre support etc.) to meet the digital needs of the diverse partner and investor community.

AMCs across the board are focusing on digital channels. There has also been a huge growth in the number of aggregators and fintech players who provide options to transact on mutual funds. In spite of this increase, our in-house channels have continued to grow their share of transaction volumes. This year, we almost doubled the user base from what it was at the beginning of the financial year, and grew in-house channel volumes over 25% on a month-to-month basis.

During the course of the year, we have enriched the solutions at hand by introducing features such as eKYC via Aadhaar, Online Mandate registration and execution, Schedule transaction, Pause SIP etc. In addition, we added more services such as co-browsing on portal, missed call service and click to call for investors to support their online journey. All these features help build scale and add depth to our digital solutions offering.



Not only did we manage the entire operation remotely last year but we also:

1. Ensured 99.99% uptime on our solutions.
2. Launched our WhatsApp service for Partners.
3. Enriched our feature set extensively to facilitate emerging business needs, working securely, supporting work anywhere model.
4. Delivered significant improvement on website through our SEO interventions, change in design, content relevance, performance engineering and so on, which made us one of the fastest websites, with low bounce rate and high percentage of organic traffic.
5. Communicated extensively with investors, updating them on all online options, feature updates and helped migrate investors to the digital channel.
6. Provided more options and services for partners to transact digitally; we also ran extensive education series for our partners on how to build a digital presence and do digital marketing.

We will continue to strengthen our solutions across user experience, communications and customer engagement backed by strong analytics and communications.

Read more on pages 16 & 17 of this report.

## K. Human resources

Employee well-being and psychological safety continue to be a priority for our Company. In the business environment dominated by the COVID-19 pandemic, we continued to assist our employees and their families on all fronts to fight and overcome this serious challenge. Being a caring employer, our Company took a series of actions to provide robust medical assistance to employees. Cloud-enabled applications and the implementation of latest technology ensured business continuity through smooth implementation of hybrid work arrangements including work from home. We continued our focus on building employee capability by introducing a series of learning and development interventions using our e-learning systems. We also continued engaging and aligning employees to the Company's purpose and mission. The HR function focused on areas such as building a strong talent pipeline, developing capability to deal with future business challenges, having a robust succession plan to ensure business continuity, consciously working towards achieving a diversified workforce and ensuring compliance with all regulatory and statutory obligations. We firmly believe that employees play a vital role in creating shareholder value. Creating the employee value proposition and enriching culture remain the cornerstone of our HR strategy. We continue to retain and grow our ability to attract and retain top-quality talent. HDFC AMC enjoys an impeccable reputation as an employer of choice.

## L. Marketing initiatives

### Behavioural impact of the COVID-19 crisis

The COVID-19 pandemic has had enormous consequences and has influenced human behaviour on a global scale. In India too, we have witnessed huge shifts in consumption trends, including preference for online shopping, increased use of social media, shift to online/digital modes for watching movies, news and so on. Traditional media platforms such as television (though India is an exception where viewership has actually increased) and newspapers have taken a backseat.

We may be in the middle of a larger scale evolution with respect to some of these trends. The share of digital media in India could touch 20% by the end of this year and is expected to grow by a CAGR of 22.5% in the next year. It is estimated that over three-fourths of all digital media spends is being made through mobile devices. Speech and voice recognition technology, which has a current market size of over ₹ 200 Crore, is expected to grow at a CAGR of over 25% in the next few years. (Source – Dentsu Advertising Report 2021)

### HDFC AMC marketing strategy

Our communication strategy in the wake of the COVID-19 pandemic underwent a major overhaul in order to factor in the tectonic shifts taking place in the world of marketing. We increased our spends on digital communication and advertising, increasing our presence in news and information websites and advertising in Over the Top (OTT) platforms. For instance, we ran advertisements on SIPs on OTT platforms during the Indian Premier League (IPL). Our video ads on ELSS also appeared on various OTT platforms. We also increased our social media presence to promote investor education. The strategy was to engage with specific target groups on social platforms through topical communication and moment marketing.

We launched MFBytes in last April, a one of its kind gamified investor education app that enables users to not only learn about mutual funds through byte-sized courses, but also engages users through gamified quizzes for each course. MFBytes has content for everyone, whether a novice or a seasoned investor. It presents users with an opportunity to top the leaderboard of the app once they complete all the courses within the app. We also launched MFBytes in Hindi to reach out to the wider Hindi-speaking markets in Tier 2 and Tier 3 towns and help them to learn about investments and financial planning.

### A few of the campaigns that we launched in FY 20-21:

#### Child Education

The digital film released in 2020, on Children's Day, aimed to educate and create awareness among parents that only long-term investment could ensure a bright future for their





kids, and this could be done through Solution Oriented Children's Fund. The video garnered over 21 Lakh views.

### Long Innings with SIP

The film released during the 2020 IPL used the analogy of cricket to talk about SIP investments, encouraging SIP investors to stay invested without getting distracted by market fluctuations and acting in a hurry. The video garnered over 18 Lakh views.

### Second Marriage

The objective of this film was to create awareness about investment through SIPs by drawing a parallel between relationships in life and the principle of investing in mutual funds where trust builds up gradually over time as one stays invested. The video garnered over 19 Lakh views.

### Multi Asset Funds

As part of our Investor Education initiative, we wanted to educate investors about the potential benefits of investing in a Multi Asset Fund. In order to drive this message home we simplified it for the masses through films and with the help of a simple crossword puzzle in the daily newspaper, where a husband is seen explaining to his wife the benefits of investing in a multi-asset fund. The video garnered over 99 Lakh views.

### Come back stronger

During the challenging times last year, we attempted to send a message of hope with our campaign #ComeBackStronger. The video expressed solidarity with the people.

### Women's Day

We also launched a video on Women's day introducing Kamal Kumbhar, a social entrepreneur who went through a lot of challenges & despite that, inspired many other women & kept marching towards her goals one step at a time.

### Bachat, Nivesh aur Aap

We did a four-episode TV series – Bachat, Nivesh aur Aap – COVID-19 Special, with CNBC Awaaz and a few regional channels in 2020. All the episodes were topical and addressed concerns of investors in the pandemic environment.

### HDFC MF – New Endeavour

In line with the rapid growth in mobile usage, we plan to target users with a mobile-first approach and reach out especially to millennials through customised communication across various digital platforms. We also aim to expand our campaign communications in more local languages.

## M. Customer Service

At HDFC AMC, providing excellent service has been the cornerstone of our customer centricity. We will always endeavour to raise those standards that truly reflect the brand.

In a world where customers are increasingly better informed, it is imperative that our frontline service support is agile, well-trained and customer-centric. We relentlessly educate our staff on these objectives. Our service teams at branches are supported by an experienced team at the corporate office. Regional Service Managers, who focus on service delivery across our various regional offices, conduct periodic visits to branches and engage with the staff, manage mutual fund distributor requirements and augment support to the branches, besides seeking feedback. The Corporate Client Services team engages with these managers to work on the feedback and also trains them routinely for the last mile impact.

It is important that all stakeholders who work towards enhancing customer experience should work in tandem. Our Registrar and Transfer Agent (RTA), M/s CAMS, forms the backbone of our service delivery chain. We work closely with Computer Age Management Services (CAMS) to ensure smooth operations, data and integrity. With CAMS, we provide mutual fund distributor service support and review operational aspects of the business on a regular basis to meet the challenges of a constantly changing and dynamic environment.

Service delivery and quality assessment is also measured in terms of turnaround times, which is evaluated on a periodical basis to improve and provide seamless delivery. Customer complaints/grievances are reviewed for a root cause analysis, which also gives us an opportunity to improve our services.

Collaboration and collective endeavour is pivotal to ensure customer delight. Last year was a challenging time for the disruption induced by the COVID-19 pandemic. Despite several obstacles, the AMC and CAMS could demonstrate resilience as we operationalised our BCPs and ensured that our services were uninterrupted. In accordance with government protocol, we went back to 'business as usual' by adopting a combination of work from home and office, ably supported by the call centre. This difficult time was also an inflection point as it gave us the opportunity to rewire and re-engineer some of our services and standards. The ensuing year will reflect some of these transformation initiatives that will aim to increase the convenience and experience of our valued customers. Our digital team has implemented a myriad set of initiatives on the website and mobile apps to provide best-in-class services. The pandemic helped us accelerate our digital footprint and acceptance of digital in a major way.

We provide support to our customers through our network of 227 branches, 260 service centres of CAMS, digital solutions on our website, particularly HDFCMFOnline, the mutual fund distributor mobile app, various other platforms via the stock exchanges, channel partners, MF Utility, online websites of mutual fund distributors and advisors and other avenues. Our focused efforts towards enabling and supporting digital transactions have led to a significant majority of transactions being sourced digitally.

As much as we value our customers and their well-being, we have ensured the safety of our staff. We hope that the pandemic ends soon and normalcy returns. In the meanwhile, we will spare no efforts to meet customer expectations and provide unhindered services.

Complaints as a percentage of transactions	(%)
FY 17-18	0.014
FY 18-19	0.012
FY 19-20	0.009
FY 20-21	0.006

## N. Training

Thanks to the increased acceptance of online learning, we managed to expand our reach in terms of target audience for investor education initiatives. Traditionally, our learning programmes had an audience strength of around 100-300 participants. Webinars saw an exponential increase in participation, with several of our programmes drawing 2,000-3,000 participants. During the pandemic, we expanded our range of topics beyond investing and invited experts from diverse fields including psychology, health, defence and others to provide help on 'decision making in tough times'. The sessions focused on:

- How to adapt to a rollercoaster ride in the market and not panic during crisis
- How to build debt allocation during challenging times
- Why it is important not to deviate from the path of asset allocation
- Workshop and certification programmes on domain knowledge with leading experts.

**During FY 20-21, our 344 training programmes on a wide range of topics saw an attendance of 2,13,054 participants. We could reach out to 1,15,000 investors.**

## O. Social Initiatives

Read more on pages 20 & 21 of this report.

## P. Risks and Threats

The competition is growing amongst existing AMCs as well as alternative investment platforms such as fintechs and distribution companies. As options for the investor increases, competition is likely to drive down total expense ratios, which in turn would drive down investment management fees, the primary source of revenue for asset management companies.

As we rely heavily on our technology infrastructure, with the majority of our transactions being processed digitally, any interruptions in the same may impact the business adversely. We have, therefore, invested heavily to keep our technological infrastructure enabled to handle any such interruptions.

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

If our investment strategies perform poorly, our existing customers may reduce or withdraw their investments. Underperformance related to benchmarks 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 determined by the quality and availability of data. Our schemes and other investment products carry their own risks.

Our relationship with our existing distributors is key to our business success. As many of our distribution relationships are non-exclusive, our distributors may provide similar services to our competitors or prioritise our competitors' investment product over that of ours.

We depend on the skills and expertise of our employees and our success depends on our ability to retain key team members. If we are not able to retain existing employees or attract new talent, our operations 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 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 those 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, 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 unforeseen black swan events such as the current COVID-19 crisis that has engulfed the world, and these may affect our business in unforeseen ways.



# Directors' Report

## To the Members

Your Directors have the pleasure in presenting the Twenty-second Annual Report together with the Audited Accounts of your Company for the financial year ended March 31, 2021.

## Financial Results

The financial performance of your Company for the financial year ended March 31, 2021 is summarised as below:

₹ (in Crore)

FINANCIAL RESULTS	For the year ended March 31, 2021	For the year ended March 31, 2020
Profit before Tax	1,748.95	1,653.05
Less: Provision for Tax (Net of Deferred Tax)	423.19	390.64
<b>Profit after Tax</b>	<b>1,325.76</b>	<b>1,262.41</b>
Add/(Less): Other Comprehensive Income (Net of Tax)	(0.69)	(3.08)
<b>Total Comprehensive Income (A)</b>	<b>1,325.07</b>	<b>1,259.33</b>
<b>Balance of Retained earnings carried forward from previous year</b>	<b>3,133.52</b>	<b>2,190.37</b>
Less: Equity Dividend Paid for earlier year	595.96	255.11
Less: Tax on Equity Dividend Paid for earlier year	-	52.44
Less: Other Adjustments	-	8.63
<b>Total (B)</b>	<b>2,537.56</b>	<b>1,874.19</b>
<b>Balance of Retained Earnings Carried to Balance Sheet (A+B)</b>	<b>3,862.63</b>	<b>3,133.52</b>

For the year ended March 31, 2021, your Company posted a net profit of ₹ 1,325.76 Crore as against ₹ 1,262.41 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.

## Dividend

Your Directors recommend payment of dividend of ₹ 34/- per equity share (680%) of face value of ₹ 5/- each for the financial year ended March 31, 2021 as against ₹ 28/- (560%) per equity share of face value of ₹ 5/- each for the previous year.

The dividend pay-out ratio for the proposed dividend for the year ended March 31, 2021 is 54.61%.

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

Management Discussion and Analysis, Corporate Governance and Business Responsibility Reports form part of this report.

## Transfer to Reserves

There is no amount proposed to be transferred to the reserves. For complete details on movement in Reserves and Surplus during the financial year ended March 31, 2021, please refer to the Statement of Changes in Equity included in the financial statements.

## Capital Structure

During the year, your Company issued and allotted 1,50,877 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 ₹ 1,06,40,16,625/- represented by 21,28,03,325 equity shares of ₹ 5/- each as on April 01, 2020 to ₹ 1,06,47,71,010/- represented by 21,29,54,202 equity shares of ₹ 5/- each as on March 31, 2021.

## Review of Operations

Assets under Management (AUM)\* of HDFC Mutual Fund ("HDFC MF") at the close of FY 20-21 was ₹3.96 Lakh Crore as against an AUM of ₹ 3.19 Lakh Crore at the close of FY 19-20, an increase of 24%. The Annual Average AUM grew by 3% to ₹ 3.84 Lakh Crore. HDFC MF is one of India's largest mutual funds in terms of total AUM with a market share of 12.6% based on closing AUM. It is also the largest mutual fund in terms of actively managed equity-oriented funds, with a market share of 12.9 %. The actively managed equity-oriented AUM at the close of FY 20-21 was ₹ 1.65 Lakh Crore as against ₹ 1.20 Lakh Crore at the close of FY 19-20, an increase of 38%. The actively managed equity-oriented annual average AUM constituted 38.4% of the total annual average AUM and fell by 9% to ₹ 1.48 Lakh Crore.

Your Company managed 90 lakh live accounts as on March 31, 2021, predominantly those of individual (retail) unitholders. The Individual monthly average AUM as a percent of total monthly average AUM as of March 2021 was 57.6% as against 57.2% as of March 2020. 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 227 ISCs as on March 31, 2021. 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 65,000 empanelled distributors in over 200 cities pan India.

Your Company is the most preferred choice for individual investors, with the highest market share in assets from individual investors at 13.7%. Of the 2.28 Crore unique investors in mutual funds in India (as identified by PAN), we enjoy trust of 53 Lakh investors, a market penetration of 23%. 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 ₹ 11,100 Crore through systematic transactions from April 2020 to March 2021. These monthly flows provide a strong and stable "order book", provide predictable flows, with 84% 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, 2021, the aggregate assets under these services were at ₹ 9,735 Crore.

All our operations continue to work remotely using the existing infrastructure in place. We have been able to successfully continue Work from Home for employees, even in remote locations. A safe environment following all the necessary protocols, was created to enable essential employees to operate from the office/ branches. Our strong IT systems and digital infrastructure facilitated our operations to continue seamlessly and also aided in managing the additional online transactions and activity.

## Schemes Launched

Two new schemes were launched during the financial year – HDFC Banking ETF and HDFC Dividend Yield Fund.

## Fundamental Attributes Changed

During the year, changes in fundamental attributes were made to the following funds – HDFC Multi Asset Fund, HDFC Flexi Cap Fund (Erstwhile HDFC Equity Fund) & HDFC Capital Builder Value Fund, details of which were announced through addendums dated 21<sup>st</sup> December 2020, 22<sup>nd</sup> December 2020 & 13<sup>th</sup> January 2021 respectively. HDFC Housing Opportunities Fund was converted to an open-ended equity scheme following Housing and Allied Activities Theme, details of which were announced through an addendum dated 12<sup>th</sup> December 2020.

\* For details on Mutual Fund AUM, refer Page 6 & 7

## Directors and Key Managerial Personnel

### Non-Executive Directors

During the year, Mr. Norman Keith Skeoch (DIN: 00165850), Non-Executive Director of the Company, director nominated by Standard Life Investments Limited (SLI), one of the Promoters of the Company, has resigned as Director of the Company with effect from close of business hours of January 20, 2021. Since, Mr. Skeoch had retired from the board of Standard Life Aberdeen, he also stepped down as a Chief Executive of Standard Life Aberdeen. Mr. Skeoch deemed it appropriate to consequently also resign as a Non-Executive Director of your Company.

The Board places on record its appreciation for the contributions made by Mr. Skeoch during his long association with the Company.

The Board of Directors of the Company at its meeting held on January 20, 2021, based on the recommendation of the Nomination & Remuneration Committee, approved the appointment of Mr. Rushad Abadan (DIN: 08035538) as an Additional Director (Non-Executive Non-Independent) on the Board of Directors of the Company, liable to retire by rotation, effective from January 21, 2021. Mr. Abadan has been nominated by SLI.



Pursuant to the provisions of Section 161 of the Companies Act, 2013 (the Act) and Articles of Association of the Company, Mr. Rushad Abadan shall hold office as an Additional Director up to the date of the ensuing Annual General Meeting (AGM) and is eligible for appointment as Director. The resolution for aforesaid appointment along with the brief profile of Mr. Rushad Abadan form part of the Notice convening the AGM of your Company. Your Directors recommend his appointment as Non-Executive Director of your Company.

In accordance with the provisions of Section 152 of the Act read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and the Articles of Association of the Company, Mr. Keki Mistry (DIN: 00008886) and Ms. Renu Karnad (DIN: 00008064), Directors, are liable to retire by rotation at the ensuing 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 profile has 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

During the year, the members at their 21<sup>st</sup> AGM of the Company had re-appointed Mr. Milind Barve (DIN: 00087839) as the Managing Director of your Company for a period effective from November 01, 2020 up to January 31, 2021. Further, in order to ensure a smooth transition of the business activities and handover from Mr. Barve to his successor, Mr. Navneet Munot, the Board of Directors of the Company at its meeting held on January 20, 2021, based on the recommendation of the Nomination & Remuneration Committee, extended the term of Mr. Milind Barve as the Managing Director of your Company for a further period effective from February 1, 2021 up to February 15, 2021, subject to approval of the shareholders.

Necessary proposal for Mr. Barve's 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 for the aforesaid period.

Members may note that during the year, Mr. Milind Barve's term as the Managing Director came to an end on February 15, 2021 and he ceased to be a Director of the Company. Mr. Milind Barve has served the Company as the Managing Director since inception effective July 04, 2000. Mr. Barve has been the longest-serving Managing Director in the Indian mutual fund industry. He has successfully led the acquisition of Zurich, listing of shares of the Company and driven the growth in the AUM to make HDFC AMC as one of the largest Asset Management Companies of the country.

The Board places on record its sincere appreciation for the valuable contribution made by Mr. Barve in building and growing the Company to what it is today. Mr. Barve's stewardship of the Company has been characterised by strategic thinking, innovative ideas and his tireless efforts to increase the creditability and visibility of HDFC Mutual Fund. The Board thanks Mr. Barve for his dedication and contribution to the Company.

The Board of Directors of the Company at its meeting held on January 20, 2021, based on the recommendation of the Nomination & Remuneration Committee, approved the appointment of Mr. Navneet Munot (DIN: 05247228) as an Additional Director/Managing Director & Chief Executive Officer (CEO) of the Company for a period effective from February 16, 2021 up to June 30, 2024, subject to the approval of the shareholders at ensuing AGM of the Company.

Necessary proposal for appointment of Mr. Navneet Munot including payment of remuneration has been placed for your approval at the ensuing AGM. Your Directors recommend his appointment as Managing Director & CEO of your Company.

### Independent Directors

During the year, the members at their 21<sup>st</sup> AGM of the Company had appointed Mr. Shashi Kant Sharma (DIN: 03281847) as an Independent Director of the Company for a term of 5 consecutive years effective from October 26, 2019.

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.

All the Independent Directors have also confirmed that in terms of Rule 6(3) of the Companies (Appointment and Qualification of Directors) Rules, 2014, they have registered themselves with the Independent Director's database as prescribed under the Act.

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.

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

### Key Managerial Personnel

In accordance with the provisions of Sections 2(51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Mr. Navneet Munot, Managing Director & CEO,



Mr. Piyush Surana, Chief Financial Officer and Ms. Sylvia Furtado, Company Secretary are the Key Managerial Personnel (KMP) of the Company.

During the year, Mr. Milind Barve, Managing Director, ceased to be KMP of the Company w.e.f. February 15, 2021 upon the end of tenure as Managing Director of the Company and Mr. Navneet Munot, Managing Director & CEO, has been appointed as one of the KMP of the Company w.e.f. February 16, 2021.

### Number of Meetings of the Board

During the FY 20-21, 7 (seven) 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

Formal annual evaluation of the performance of the Board, its committees and of individual directors are conducted by the Board and details of the same 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, pursuant to approval granted by the Shareholders of the Company at the Annual General Meeting held on July 23, 2020, has formulated Employees Stock Option Scheme – 2020 (ESOS – 2020) in terms of SEBI (Share Based Employees Benefits) Regulations, 2014 ("ESOP Regulations"). Accordingly, the Nomination & Remuneration Committee (NRC) of Board of Directors at its meeting held on February 22, 2021 has approved the said ESOS – 2020 and also grant of 11,45,000 stock options representing 11,45,000 equity shares of ₹ 5/- each to the eligible employees of the Company as determined by the NRC, under ESOS – 2020 at grant price of ₹ 2,934.25 per option. No employee was

issued stock option, during the year equal to or exceeding 1% of the issued capital of the Company at the time of grant.

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

Disclosures as required under the ESOP Regulations have been placed on the website of the Company at [www.hdfcfund.com](http://www.hdfcfund.com)

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

### Auditors and Auditor's Report

#### Statutory Auditors

In terms of Section 139 of the 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 18<sup>th</sup> AGM till the conclusion of 23<sup>rd</sup> 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, appointment of the 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 had appointed M/s. Bhandari & Associates, Company Secretaries to conduct the Secretarial Audit of your Company for the FY 20-21. 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 financial year 2020-21.

### Risk Management Policy

The Risk Management Policy of your Company, reviewed by the Audit Committee and approved by the Board, provides for the Enterprise Risk Management (ERM) framework to identify, assess, monitor and mitigate various business risks. This framework incorporates the checks, process and procedures to identify potential risks in the 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 functioning of the ERM.

The primary business of your Company is to act as an investment manager to 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 also reviews the progress of risk management practices pertaining to HDFC Mutual Fund.

With rapid technological and digital advancement in securities markets cyber risks are inevitable, hence having strong Cyber Risk Management is essential. The Company has a strong Cyber Risk Management framework wherein cyber risk and its mitigations are monitored at the Information Technology and Security Committee and Risk Management Committee of the Company. Key areas covered under the Cyber Risk Management are strong adherence to the Board approved Information and Cyber Security Policies, compliance with SEBI guidelines and ISO 27001 standards to ensure that we are in line with industry best practices. The Company maintains a robust cyber security architecture and has in place a cyber resilience framework to protect the integrity of data and guard against breaches of privacy.

### Adequacy of Internal Controls

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

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

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

### Corporate Social Responsibility

In terms of Section 135 of the Companies Act, 2013, your Company has formed a Corporate Social Responsibility (CSR) Committee to approve activities, expenditure to be incurred and monitor the performance of the CSR activities undertaken by the Company.

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

The Company undertakes its CSR activities through a variety of effective programs. The major thrust of the CSR activities of the Company is in the area of promoting preventive health care through its contribution towards Indian Cancer Cure Fund Project. This project aims to provide financial aid for treatment to underprivileged and low income patients diagnosed with any curable/ early detected cancers through the empanelled hospitals. Given the current COVID-19 situation, your Company had also contributed to the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM Cares Fund) to provide relief to those affected by any kind of emergency or distress situation such as that posed by COVID 19 pandemic. The Company has also undertaken other CSR activities under promotion of education.

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 (as amended from time to time), is set out at **Annexure III** to this report.

The amount remaining unspent under Section 135(5) of the Companies Act, 2013, pursuant to ongoing projects undertaken by your Company, has been transferred to Unspent Corporate Social Responsibility Account in accordance with Section 135(6) of the Companies Act, 2013, and such amount shall be spent by your Company in pursuance of its obligation within the approved timelines.

The Composition of the CSR Committee, CSR Policy as well as the CSR activities undertaken by the Company is available on the Company's website at <https://www.hdfcfund.com/about-us/corporate/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 provides for proper approval processes and reporting requirements 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 require 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 and 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, 2021, dividend amounting to ₹ 44.56 Lakh 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](http://www.hdfcfund.com)

### Annual Return

Pursuant to Section 92(3) read with Section 134(3)(a) of the Companies Act, 2013, the Annual Return as on the financial year ended March 31, 2021 is placed on the Company's website at <https://www.hdfcfund.com/about-us/financial/annual-reports>

### Vigil Mechanism/Whistle Blower Policy

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

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

The information pertaining to the conservation of energy and technology absorption in terms of Section 134(3)(m) of the 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. With Work from Home on account of COVID-19, the Company has reduced considerable consumption of energy.

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

- Foreign exchange (earnings): ₹ 10.34 Crore (previous year: ₹ 33.77 Crore)
- Foreign exchange (expenditure): ₹ 15.35 Crore (previous year: ₹ 18.55 Crore)

### Particulars of Employees

As on March 31, 2021, your Company has 1,254 employees and for the previous year, your Company had 1,194 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 IV**.

### 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 the Company.
- Your Company has not issued equity shares with differential rights as to dividend, voting or otherwise.
- There was no application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 during the year.
- There was no one time settlement entered into with any Bank or financial institutions in respect of any loan taken by the Company.
- Details of the Audit Committee of the Board of Directors including its composition are provided in the Report of the Directors on Corporate Governance, which form 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:

- (i) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) Accounting policies selected were applied consistently. Reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of March 31, 2021 and of the profit of the Company for year ended on that date;
- (iii) Proper and sufficient care has been taken for maintenance of adequate accounting records in

accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;

- (iv) The annual accounts of the Company have been prepared on a going concern basis;
- (v) Internal financial controls have been laid down to be followed by the Company and such internal financial controls are adequate and operating effectively; and
- (vi) Proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### Secretarial Standards

Your Company is in compliance with the provisions of the applicable Secretarial Standards issued by the Institute of Company Secretaries of India in terms of the 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 zones were constituted in accordance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 with women employees being a majority and an external member. The Policy, IC Members' details and the penal consequences of violating the said Act/ Policy are displayed at all offices/ ISCs and on the intranet of the Company. Regular employee awareness sessions are conducted to generate awareness about the policy, reporting mechanism and prevention of sexual harassment at the workplace. During the year, the IC 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.

### Material changes and commitments, if any, affecting the Financial Position of the Company from the Financial Year end till the date of this Report

There have been no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year 2020-21 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 in 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  
April 27, 2021

CIN: L65991MH1999PLC123027

### Registered Office:

"HDFC House", 2<sup>nd</sup> 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 08, 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 modernisation 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;
- Macroeconomic 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 utilised 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 endeavour to utilise 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](http://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, 2021

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

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

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2021 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, 2021 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) Regulations, 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 (Buy-Back of Securities) Regulations, 2018#;

# 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, 2020.
- 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.

**We further report that –**

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

Adequate notice was given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance 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.

**Annexure A**

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

Our Secretarial Audit Report for the Financial Year ended on March 31, 2021 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 Account of the Company.

**We further report that** during the audit period the Company has undertaken the Members' approval at the Annual General Meeting held on July 23, 2020, for Employees Stock Option Scheme – 2020 (ESOS – 2020), to grant in one or more tranches, not exceeding 32,00,000 (Thirty Two Lakh only) stock options 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 (Share Based Employee Benefits) Regulations, 2014 & circular issued thereto and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015).

For Bhandari & Associates  
Company Secretaries

**S. N. Bhandari**

Partner

FCS No.: 761; CP No.: 366

Mumbai | April 27, 2021

UDIN: F000761C000134180

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.

4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For Bhandari & Associates  
Company Secretaries

**S. N. Bhandari**

Partner

FCS No.: 761; CP No.: 366

Mumbai | April 27, 2021

UDIN: F000761C000134180

## 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. | <b>Brief outline on CSR policy of the Company</b>   | The Company carries its Corporate Social Responsibility (CSR) activities through various implementing agencies. The details of the Company's CSR Initiatives project/programmes and activities are provided in this annexure. The CSR Policy of the Company is uploaded on its website and can be viewed at <a href="https://www.hdfcfund.com/about-us/corporate/csr">https://www.hdfcfund.com/about-us/corporate/csr</a> |
| 2. | <b>Composition of the CSR Committee</b>   | As on March 31, 2021, the CSR Committee comprises of following members of the Board –<br>Mr. Deepak S. Parekh (Chairman),<br>Mr. Parag Shah (Independent Director)<br>Mr. Navneet Munot (Managing Director & Chief Executive Officer)<br>Details related to number of CSR Committee meetings held during the year and attendance is mentioned in the Corporate Governance Report forming part of the Board's Report.      |
| 3. | <b>Web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the Board of Directors of the Company are disclosed on the website of the Company</b>               | <a href="https://www.hdfcfund.com/about-us/corporate/csr">https://www.hdfcfund.com/about-us/corporate/csr</a>   |
| 4. | <b>Details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable</b> | Not applicable as one year has not elapsed for any project towards which CSR contribution was made by the Company during this financial year.   |

**5. Details of the amount available for set-off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set-off for the financial year, if any:**

Sr. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be set-off for the financial year, if any (in ₹)
1.	FY 2017-18	Nil	Nil
2.	FY 2018-19	Nil	Nil
3.	FY 2019-20	Nil	Nil
<b>TOTAL</b>		<b>Nil</b>	<b>Nil</b>

- |    |  |                     |
|----|--|---------------------|
| 6. | <b>Average net profit of the Company as per Section 135(5) i.e. for last three financial years:</b>                    | ₹ 13,49,74,08,067/- |
| 7. | <b>(a) Two percent of average net profit of the Company as per Section 135(5) i.e. for last three financial years:</b> | ₹ 26,99,48,161 /-   |
|    | <b>(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years</b>         | Nil                 |
|    | <b>(c) Amount required to be set-off for the financial year, if any</b>  | Nil                 |
|    | <b>(d) Total CSR obligation for the financial year (7a+7b- 7c)</b>   | ₹ 26,99,48,161/-    |
| 8. | <b>(a) CSR amount spent or unspent for the financial year:</b>   |                     |

Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per Section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
₹ 28,05,50,441/- *	₹ 17,29,60,000/-	April 23, 2021	NA	NA	NA

\* This amount includes both: (i) the amount committed and transferred for ongoing projects (i.e. ₹ 17,29,60,000/- as set out in the table above); and (ii) amounts spent for other projects (₹ 10,75,90,441/-).

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

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	Location of the project		Project duration	Amount allocated for the project (in ₹)	Amount spent in the current financial Year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
1.	Indian Cancer Cure Fund Project (ICCFP)	Promoting preventive health care	Yes	Maharashtra	Mumbai	Up to June 30, 2022	₹ 15,00,00,000/-	Nil	₹ 15,00,00,000/-	No	Indian Cancer Society	CSR00000792
2.	Pariivaar Seva Kutir	Promoting education	No	Madhya Pradesh	Sheopur	Up to March 31, 2022	₹ 2,59,20,000/-	₹ 1,29,60,000/-	₹ 1,29,60,000/-	No	Pariivaar Education Society	CSR00000052
3.	The Bombay Scottish Orphanage Society	Promoting education	Yes	Maharashtra	Mumbai	Up to March 31, 2022	₹ 1,00,00,000/-	Nil	₹ 1,00,00,000/-	No	The Bombay Scottish Orphanage Society	CSR00006969
<b>TOTAL</b>							<b>₹ 18,59,20,000/-</b>	<b>₹ 1,29,60,000/-</b>	<b>₹ 17,29,60,000/-</b>			<b>-</b>

**(c) Details of CSR amount spent against other than ongoing projects for the financial year:**

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act	Local area (Yes/No)	Location of the project		Amount spent for the project (in ₹)	Mode of implementation - Direct (Yes/No)	Mode of implementation - Through implementing agency	
				State	District			Name	CSR registration number
1.	Indian Cancer Cure Fund Project	Promoting preventive health care	Yes	Maharashtra	Mumbai	₹ 1,96,30,441/-	No	Indian Cancer Society	CSR00000792
2.	Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM-CARES Fund)	Disaster Relief (COVID-19 pandemic)	No	NA	NA	₹ 7,50,00,000/-	No	PM - CARES Fund	NA
<b>TOTAL</b>						<b>₹ 9,46,30,441/-</b>			

**(d) Amount spent in Administrative Overheads – Nil**

**(e) Amount spent on Impact Assessment, if applicable – Nil**

**(f) Total amount spent for the Financial Year (8b+8c+8d+8e) – ₹ 28,05,50,441/-**

(This amount includes both: (i) the amount committed and transferred for ongoing projects (i.e. ₹ 17,29,60,000 as set out in 8(a) above); and (ii) amounts spent for other projects (₹ 10,75,90,441/-).

**(g) Excess amount for set-off, if any**

Sr. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the Company as per Section 135(5)	₹ 26,99,48,161/-
(ii)	Total amount spent for the Financial Year	₹ 28,05,50,441/-
(iii)	Excess amount spent for the financial year [(ii)-(i)]	₹ 1,06,02,280/-*
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
(v)	Amount available for set-off in succeeding financial years [(iii)-(iv)]	₹ 1,06,02,280/-

\*This amount has been allocated for ongoing projects as mentioned in point 8(b) and has been transferred to the Unspent CSR Account as per Section 135(6). This amount will be disbursed to the Implementing Agency (CSR Partners) upon receipt of the disbursement requests basis the project reports furnished by the CSR partners.

**9. (a) Details of Unspent CSR amount for the preceding three financial years:**

Sl. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under Section 135 (6) (in ₹)	Amount spent in the reporting Financial Year (in ₹)	Amount transferred to any fund specified under Schedule VII as per Section 135(6), if any			Amount remaining to be spent in succeeding financial years (in ₹)
				Name of the Fund	Amount (in ₹)	Date of transfer	
1.	FY 2017-18						
2.	FY 2018-19						
3.	FY 2019-20						
<b>TOTAL</b>							

**(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (in ₹)	Amount spent on the project in the reporting Financial Year (in ₹)	Cumulative amount spent at the end of reporting Financial Year (in ₹)	Status of the project - Completed /Ongoing
1.								
2.								
3.								
<b>TOTAL</b>								

**10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details):** Not applicable

- Date of creation or acquisition of the capital asset(s).
- Amount of CSR spent for creation or acquisition of capital asset.
- Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.
- Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset).

**11. Specify the reason(s), if the Company has failed to spend two per cent of the average net profit as per Section 135(5):**

Not Applicable

Sd/-  
**Deepak Parekh**  
 DIN: 00009078  
 Chairman of Corporate Social Responsibility Committee

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

**Annexure IV**

# Disclosures on Managerial Remuneration

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

**Ratio of remuneration of each director to the median employees' remuneration for FY 2020-21**

Name	Designation	Ratio of remuneration to the median employees' remuneration
Mr. Milind Barve <sup>1</sup>	Managing Director	82.9:1
Mr. Navneet Munot <sup>2</sup>	Managing Director & Chief Executive Officer	41:1
Mr. Deepak S. Parekh	Non-Executive - Non Independent Director	5.8:1
Mr. James Aird	Non-Executive - Non Independent Director	-
Mr. Keki Mistry	Non-Executive - Non Independent Director	4.8:1
Mr. Norman Keith Skeoch <sup>3</sup>	Non-Executive - Non Independent Director	-
Ms. Renu Karnad	Non-Executive - Non Independent Director	4.5:1
Mr. Rushad Abadan <sup>4</sup>	Non-Executive - Non Independent Director	-
Mr. Dhruv Kaji	Non-Executive - Independent Director	6:1
Mr. Jairaj Purandare	Non-Executive - Independent Director	6:1
Mr. Sanjay Bhandarkar	Non-Executive - Independent Director	5.4:1
Mr. Parag Shah	Non-Executive - Independent Director	4.9:1
Ms. Roshni Nadar Malhotra	Non-Executive - Independent Director	3.5:1
Mr. Shashi Kant Sharma	Non-Executive - Independent Director	4.9:1

<sup>1</sup> Ceased to be Managing Director of the Company w.e.f. the close of business hours of February 15, 2021.

<sup>2</sup> Appointed as the Managing Director & Chief Executive Officer of the Company w.e.f. February 16, 2021.

<sup>3</sup> Resigned as the Director of the Company w.e.f. the close of business hours of January 20, 2021.

<sup>4</sup> Appointed as an Additional Director of the Company w.e.f. January 21, 2021.

Notes:

- a. The Company has considered fixed pay and performance bonus / commission for the computation of ratios. Fixed pay includes – salary, allowances, as well as value of perquisites excluding retrial benefits.
- b. One time payments made to the employees of the Company including the Managing Director & Chief Executive Officer are not included for the computation of abovementioned ratios.

**Percentage increase in the remuneration of each director and key managerial personnel in FY 2020-21**

**Key Managerial Personnel**

Name	Designation	Increase in Remuneration (%)
Mr. Milind Barve <sup>1</sup>	Managing Director	(0.18%)
Mr. Navneet Munot <sup>2</sup>	Managing Director & Chief Executive Officer	NA
Mr. Piyush Surana	Chief Financial Officer	2.27%
Ms. Sylvia Furtado	Company Secretary	13.3%

<sup>1</sup> Ceased to be Managing Director of the Company w.e.f. the close of business hours of February 15, 2021.

<sup>2</sup> Appointed as the Managing Director & Chief Executive Officer of the Company w.e.f. February 16, 2021.





### **Non-Executive Directors**

There was no change in the sitting fees paid to the non-executive directors for attending meetings of board/committees. The Commission payable to each Non-Executive Director for FY 2020-21 is ₹ 20 lacs, which is same as last year and this Commission will be paid after the financial statements are approved by the Shareholders at the Annual General Meeting scheduled to be held on July 16, 2021.

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

### **Percentage increase in the median remuneration of employees in FY 2020-21.**

The percentage increase in the median remuneration of employees in FY 2020-21 was -0.46 %.

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

The Company had 1254 permanent employees as of March 31, 2021.

### **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 2020-21 was 3.66 %. The average increase in remuneration of managerial personnel was 2.14 % and non-managerial personnel was 3.75 %.

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

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

Yes

# Business Responsibility Report (BRR)

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## PREAMBLE

HDFC Asset Management Company Limited ("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 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", 2<sup>nd</sup> Floor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai – 400 020
4. **Website**  
[www.hdfcfund.com](http://www.hdfcfund.com)
5. **E-mail ID**  
[shareholders.relations@hdfcfund.com](mailto:shareholders.relations@hdfcfund.com)
6. **Financial Year Reported**  
FY 2020-21
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**  
226 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)**  
₹ 106.48 Crore
2. **Total Turnover (INR)**  
₹ 2,201.7 Crore
3. **Total Profit after Taxes (INR)**  
₹ 1,325.76 Crore
4. **Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)**  
Total spending on CSR is 2% of average net profit of the company for last three financial years. For further details on CSR expenditure, please refer note no. 33 to Financial Statement for FY 2020-21, which forms part of this Annual Report.
5. **List of activities in which expenditure in 4 above has been incurred**  
The Company undertakes its CSR activities through a variety of effective programmes. The major thrust of the CSR activities of the Company is in the areas of promoting preventive health care. The Company also undertakes CSR activities in the areas of promoting education. The details of CSR activities are also available in the annexure – Annual Report on CSR activities which forms part of the Directors' report for FY 20-21.

## 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/ Director responsible for implementation of the BR policy/ policies and BR head

<b>DIN Number:</b>	05247228
<b>Name:</b>	Navneet Munot
<b>Designation:</b>	Managing Director (MD) & Chief Executive Officer (CEO)
<b>Contact:</b>	+91 22 66316333 (Board line)
<b>E-mail:</b>	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 subject to stakeholder consultations as applicable.
3.	Has the policy been approved by the Board? If yes, has it been signed by MD/ owner/ CEO/ appropriate Board of 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.
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 – <a href="https://www.hdfcfund.com">https://www.hdfcfund.com</a>

### Governance related to BR

a) **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

b) **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 has published the BR Report in its Annual Report for FY 2019-20 and is available on the website of the Company viz. [www.hdfcfund.com](http://www.hdfcfund.com). The BR Report for FY 2020-21 forms part of the Annual Report and is also available on the website of the Company. The Company will publish this Report on an annual basis.

## E. Principle-wise Performance

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

1. **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 AMC'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. The Company has strict protocols in place against sexual harassment in the workplace and strives to ensure a healthy and safe environment for all employees.

2. **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 7 complaints from shareholders and all the complaints were resolved during the year. There was no complaint pending as on March 31, 2021.

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

1. **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. The most recent edition of this initiative completed its tenure last year and a new edition is being considered currently. 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.

**2. 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 more than 80% of our transactions electronically.

**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 optimise utilisation of all resources. Although we do not track the percentage of these measures, we ensure the same for as much as possible, and also communicate and train employees on the process.

**Principle 3: Businesses should promote the well-being of all employees.**

**1. Please indicate the total number of employees:**

The total number of employees in the Company were 1,254 on rolls as on March 31, 2021.

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

There are approximately 1,090 employees.

**3. Please indicate the number of permanent women employees:**

There are 379 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 no employees with disability.

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

No

**6. What percentage of your permanent employees are a member of this recognised 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.**

Sr. 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 – 78%

Permanent Women Employees – 76%

Casual/Temporary/Contractual Employees – 4%

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 marginalised.**

**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 and marginalised stakeholders?**

Yes





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

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 Project. This project aims to provide financial aid for treatment to underprivileged and low income patients diagnosed with any curable/ early detected cancers through the empanelled hospitals. Given the current COVID-19 situation, your Company had also contributed to the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM Cares Fund) to provide relief to those affected by any kind of emergency or distress situation such as that posed by COVID-19 pandemic. The Company has also undertaken other CSR activities under promotion of education.

**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 communications drives in an effort to minimise and optimise 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 organisation?**

The Company carries its CSR activities through various implementing agencies registered in India, having a valid CSR Registration Number granted by the Ministry of Corporate Affairs (MCA) and having track record of atleast 3 years in undertaking similar activities.

**3. Have you done any impact assessment of your initiative?**

Our CSR partner, Indian Cancer Society (ICS), had started the Indian Cancer Cure Fund Project with the principal objective of providing financial aid for treatment of needy cancer patients. The project provides financial aid up to ₹ 5 Lakh per patient to a needy cancer patient and emerge a victor against the deadly disease. This project has transformed the lives of over 10,222 needy cancer patients from across 34 states and union territories of the country, many of whom completed their treatment and returned to productive life once again. This project is implemented at a pan India level and 45% of the beneficiaries are between 16-45 years of age. Impact assessment for the other projects will be conducted in the upcoming financial years, as applicable under the Companies Act, 2013 and rules thereto.

**4. What is your Company's direct contribution to community development projects? Amount in INR and the details of the projects undertaken.**

During the Financial Year 2020-21, the Company has contributed ₹ 15 Crore to ICS as part of its CSR activities, apart from this the Company has also contributed an amount ₹ 7.5 Crore to PM Cares Fund, ₹ 2.592 Crore to Parivaar Education Society and ₹ 1 Crore to the Bombay Scottish Orphanage Society. The details of CSR activities are also available in annexure of Annual Report on CSR activities which forms part of the Directors' Report for FY 2020-21.

**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 has undertaken its CSR activities in the area of promoting preventive health care and promoting education in FY 2020-21. The Company monitors on a periodic basis the project and progress reports of the projects undertaken by the implementing agencies and also holds meetings with the implementing agencies whenever feasible, to obtain an update on the projects and understand the impact of the same to the beneficiaries. These programmes have been successfully implemented in line with its objectives. The Company may engage external agencies in the coming financial years to undertake impact assessment of the CSR projects and monitor its progress as applicable under the Companies Act, 2013 and rules thereto.

**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	Transactions	Live Accounts	% to transactions	% to Live Accounts
<b>FY 20-21</b>	3,159	4,93,29,077	89,62,892	0.00004%	0.0002%

20 complaints pending.

**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

## Philosophy on the Code of Governance

Your Company has always believed in upholding the highest standards of corporate governance as a fundamental for ensuring the long-term success of the business. Responsible business conduct is ingrained in your Company's values and principles, which are reinforced at all levels of the organisation.

In the past few years, corporate governance philosophy globally is undergoing a tectonic shift – from maximising shareholder value to accounting for the interest of all stakeholders in business decision-making – to strengthen long-term resilience and relevance. Although profitability remains the bedrock of sustainability, the need to address systemic challenges has never been felt so strong to create sustained value. Since inception, your Company – guided by its Board and Management – has focused on aligning its actions with the best practices on governance and sustainability in India.

Our Board is active, well-informed and independent, with clearly defined stewardship roles. It ensures that it is aligned with the best governance and sustainability practices. The Board also plays a pivotal role in guiding the evolution of culture and values in line with the changing times and the

external environment. Your Company's Board has the right balance and breadth of backgrounds, business experience, skills and expertise in areas vital to its success, given the markets served and the stage of development.

## Board of Directors

The Board comprises twelve members, of which eleven are Non-Executive Directors including the Chairman; the only Executive Director on the Board is the Managing Director (MD) & Chief Executive Officer (CEO). 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. None of the Directors of your Company are related to each other or are debarred from holding the office of director by SEBI or any other authority. They have also confirmed that they satisfy the fit and proper criteria as prescribed under the applicable regulations.

For a brief profile of the Board members, refer to Page nos. 22 to 25 of this Annual Report.

**Directorship and membership on the board/board committees of other public companies**

Name of Director	Category	As on March 31, 2021				
		Number of Directorships*	Number of Committees**		Listed Entities	
			Member	Chairman	Name of the Company	Nature of Directorship
Mr. Deepak Parekh	Non-Executive Non-Independent Director	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)
Mr. Keki Mistry	Non-Executive Non-Independent Director	5	6	2	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)
Ms. Renu Karnad	Non-Executive Non-Independent Director	8	8	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 Nominee Director Non-Executive Director (Chairperson) Nominee Director
Mr. Rushad Abadan#	Non-Executive Non-Independent Director	-	-	-	-	-
Mr. James Aird	Non-Executive Non-Independent Director	-	-	-	-	-
Mr. Dhruv Kaji	Non-Executive Independent Director	3	5	1	1. Network18 Media & Investments Limited 2. Ceinsys Tech Limited 3. TV18 Broadcast Limited	Independent Director Independent Director Independent Director
Mr. Jairaj Purandare	Non-Executive Independent Director	2	0	1	1. S H Kelkar and Company Limited	Independent Director
Mr. Sanjay Bhandarkar	Non-Executive Independent Director	6	7	4	1. S Chand and Company Limited 2. The Tata Power Company Limited	Independent Director Independent Director
Mr. Parag Shah	Non-Executive Independent Director	7	1	-	1. Mahindra Logistics Limited	Non-Executive Director
Ms. Roshni Nadar Malhotra	Non-Executive Independent Director	1	1	-	1. HCL Technologies Limited	Non-Executive Director
Mr. Shashi Kant Sharma	Non-Executive Independent Director	2	2	-	-	-
Mr. Navneet Munot##	Executive Director	-	-	-	-	-

**Notes:**

- Mr. Milind Barve (Executive Director) ceased to be Managing Director of the Company w.e.f. the close of business hours of February 15, 2021.
- Mr. N.K. Skeoch ceased to be a Non-Executive Director of the Company w.e.f. the close of business hours of January 20, 2021.
- # Appointed as an Additional Director of the Company w.e.f. January 21, 2021.
- ## Appointed as Managing Director & CEO of the Company w.e.f. February 16, 2021.
- \* Excludes directorship in Private Limited Companies, Foreign Companies and Section 8 Companies. Also excludes directorship in the Company.
- \*\* Membership and Chairmanship in Audit Committee and Stakeholders Relationship Committee in all public limited companies have been considered. Also, excludes chairmanship and membership in the Company.



## Skills/ Expertise/ Competence of the Board of Directors

The Board identified, *inter alia*, the following core skills/ expertise/ competencies to ensure the Board's effective composition to discharge its responsibilities and duties required to govern your Company and also be compliant with the applicable regulations.

Name of 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"> <li>- International Expertise/Strategic Planning</li> <li>- Risk Management Expertise</li> <li>- Financial Expertise</li> <li>- Marketing Expertise</li> <li>- Operational Expertise</li> <li>- Industry Expertise</li> <li>- Regulatory Expertise</li> <li>- Mergers and Acquisitions</li> </ul>
Mr. Keki Mistry	Fellow of the Institute of Chartered Accountants of India	<ul style="list-style-type: none"> <li>- Risk Management Expertise</li> <li>- Financial Expertise</li> <li>- Operational Expertise</li> <li>- Industry Expertise</li> <li>- Regulatory Expertise</li> <li>- Mergers and Acquisitions</li> </ul>
Ms. Renu Sud Karnad	Master's degree in Economics from University of Delhi; Graduate in law from University of Mumbai; Parvin Fellow – Woodrow Wilson School of International Affairs, Princeton University, US	<ul style="list-style-type: none"> <li>- Risk Management Expertise</li> <li>- Financial Expertise</li> <li>- Legal Expertise</li> <li>- Industry Expertise</li> </ul>
Mr. James Aird	Graduate in Economics from Edinburgh University	<ul style="list-style-type: none"> <li>- International Expertise/Strategic Planning</li> <li>- Risk Management Expertise</li> <li>- Financial Expertise</li> <li>- Marketing Expertise</li> <li>- Operational Expertise</li> <li>- Industry Expertise</li> </ul>
Mr. Rushad Abadan	Bachelor's degree in Commerce from Sydenham College, Mumbai; Graduate in law from Government Law College, Mumbai; Solicitor – India; Solicitor – England and Wales	<ul style="list-style-type: none"> <li>- Legal Expertise</li> <li>- Risk Management Expertise</li> <li>- Financial Expertise</li> <li>- Mergers and Acquisitions</li> <li>- Industry (Asset Management Business)Expertise</li> </ul>
Mr. Dhruv Kaji	B. Com. (University of Mumbai), Chartered Accountant	<ul style="list-style-type: none"> <li>- International Expertise/Strategic Planning</li> <li>- Financial Expertise</li> <li>- Operational Expertise</li> <li>- Mergers and Acquisitions</li> </ul>
Mr. Jairaj Purandare	B.Sc. (Hons), University of Mumbai; Chartered Accountant	<ul style="list-style-type: none"> <li>- International Expertise/Strategic Planning</li> <li>- Financial Expertise</li> <li>- Operational Expertise</li> <li>- Industry Expertise</li> <li>- Regulatory Expertise</li> </ul>
Mr. Sanjay Bhandarkar	B. Com., University of Pune; MBA, XLRI Jamshedpur	<ul style="list-style-type: none"> <li>- Technology/Digital Media Expertise</li> <li>- Risk Management Expertise</li> <li>- Financial Expertise</li> <li>- Regulatory Expertise</li> </ul>
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"> <li>- International Expertise/Strategic Planning</li> <li>- Technology/Digital Media Expertise</li> <li>- Financial Expertise</li> <li>- Industry Expertise</li> <li>- Mergers and Acquisitions</li> </ul>
Ms. Roshni Nadar Malhotra	MBA from the Kellogg Graduate School of Management, Northwestern University	<ul style="list-style-type: none"> <li>- International Expertise/Strategic Planning</li> <li>- Financial Expertise</li> <li>- Marketing Expertise</li> </ul>

Name of the Director	Qualification	Field of specialisation
Mr. Shashi Kant Sharma	M.A. in Political Science, University of Agra; M.Sc. in Administrative Science and Development Problems, University of York (UK); IAS (1976 batch)	<ul style="list-style-type: none"> <li>- International Expertise/Strategic Planning</li> <li>- Financial Expertise</li> <li>- Risk Management Expertise</li> <li>- Regulatory Expertise</li> </ul>
Mr. Navneet Munot	Master's degree in Commerce; Chartered Accountant; Chartered Financial Analyst; Chartered Alternative Investment Analyst; Certified Financial Risk Manager	<ul style="list-style-type: none"> <li>- Industry Expertise</li> <li>- International Expertise/Strategic Planning</li> <li>- Risk Management Expertise</li> <li>- Financial Expertise</li> <li>- Marketing Expertise</li> <li>- Legal Expertise</li> <li>- Operational Expertise</li> </ul>

## Responsibilities

Your Company has a well-defined framework that enables the Board to provide strategic direction and effective oversight of management. The Board also ensures that your Company has appropriate corporate governance structures in place, including standards of ethical behaviour and promoting a culture of corporate and social responsibility. To focus on crucial issues, various Committees are constituted under the supervision of the Board with specific delegated responsibilities.

The Board also ensures that the corporate governance practices adopted by your Company empowers the executive management adequately with appropriate checks and balances in place. This ensures that the decision-making powers vested in the executive management are only used responsibly to meet your Company's vision, stakeholder aspirations and societal expectations. Codes and policies are periodically reviewed to ensure their compliance with the applicable regulations.

## Appointment of Independent Directors

Independent Directors are appointed/re-appointed based on the recommendation of the Nomination & Remuneration Committee and approval of the Board. New Directors are inducted after assessing whether their skills and expertise would be beneficial for your Company.

For details on the terms and conditions of appointment of Independent Directors, visit your 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

Independent Directors are mandated to hold at least one meeting in a financial year, where Non-Independent Directors are not present. In such meeting, the Independent Directors review the performance of Non-Independent Directors and the Board as a whole; the Chairman of the Company taking into account the views of Executive/Non-Executive Directors; and assess the quality, quantity and timely flow of information between your Company's management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

During FY 20-21, the Independent Directors met once on March 5, 2021.

## Familiarisation Programme

The Directors are updated periodically about the Mutual Fund industry, performance of the Company, regulatory developments, the overview and outlook of the Indian economy, markets, trends, risk management mechanism, among others. An orientation programme is conducted for the newly inducted Independent Directors to bring them up to speed with the existing governance practices, mutual fund business, regulatory developments, compliance processes and financial matters.

An overview of the familiarisation programme during the year is available on your Company's website at <https://www.hdfcfund.com/about-us/governance/codes-policies>

## Board meetings

The meetings of the Board of Directors are normally held at your Company's Registered Office in Mumbai. Video conferencing facilities are made available to conduct such meetings in case physical presence is not possible. In view of the ongoing COVID-19 pandemic, most meetings of the Board and its Committees were held through video conferencing.

The Chairman ensures that the meeting is conducted in such way that the business for which it was convened is properly attended to, and that all those entitled to may express their views and that the decisions taken by the meeting adequately reflect the views of the meeting as a whole. He summarises





the discussions to ensure that members are in agreement with the Board's view on the issues discussed.

At the Board/Committee meetings, the Managing Director and senior management, who are invited to those meetings, make presentations on various matters including the financial

results, operations related issues, risk management, the economic and regulatory changes.

During the financial year, Seven (7) Board meetings were held i.e. on May 09, 2020; June 11, 2020; July 23, 2020; October 22, 2020; November 16, 2020; January 20, 2021 and February 22, 2021.

### Attendance at 7 Board meetings held during FY 20-21 and at the last AGM

Name of the Director	Number of Board meetings		Attendance at the 21 <sup>st</sup> AGM
	Held during tenure	Attended	
Mr. Deepak Parekh	7	7	YES
Mr. Keki Mistry	7	7	YES
Ms. Renu Karnad	7	7	YES
Mr. James Aird	7	7	YES
Mr. N K Skeoch <sup>1</sup>	6	5	YES
Mr. Rushad Abadan <sup>2</sup>	1	1	NA
Mr. Dhruv Kaji	7	7	YES
Mr. Jairaj Purandare	7	7	YES
Mr. Sanjay Bhandarkar	7	7	YES
Mr. Parag Shah	7	7	YES
Ms. Roshni Malhotra	7	6	YES
Mr. Shashi Kant Sharma	7	7	YES
Mr. Milind Barve <sup>3</sup>	6	5	YES
Mr. Navneet Munot <sup>4</sup>	1	1	NA

<sup>1</sup> Mr. N.K. Skeoch ceased to be a Non-Executive Director of the Company w.e.f. the close of business hours of January 20, 2021.

<sup>2</sup> Appointed as an Additional (Non-Executive) Director w.e.f. January 21, 2021.

<sup>3</sup> Ceased to be Managing Director of the Company w.e.f. the close of business hours of February 15, 2021.

<sup>4</sup> Appointed as Managing Director & CEO w.e.f. February 16, 2021.

To enable better and more focused attention on the affairs of the Company, the Board delegates particular matters to committees of the Board set up for the purpose. The composition and functioning of these board committees is in compliance with the applicable provisions of the Act and Listing Regulations.

There have been no instances where the Board has not accepted any recommendation of any Committee of the Board which is mandatorily required, during the financial year.

### Audit Committee

The Audit Committee 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 also present at the last AGM of the Company.

During the year, Six (6) Audit Committee meetings were held i.e. on May 9, 2020; July 23, 2020; August 19, 2020; October 6, 2020; October 22, 2020 and January 20, 2021.

### Audit Committee composition and attendance of members at the 6 meetings held in FY 20-21.

Name of the Director	Number of meetings	
	Held during tenure	Attended
Mr. Dhruv Kaji (Chairman)	6	6
Mr. Jairaj Purandare	6	6
Mr. James Aird	6	5
Mr. Keki Mistry	6	6
Mr. Sanjay Bhandarkar	6	6
Mr. Shashi Kant Sharma	6	6

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 broadly include:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements and the auditors' report thereon, before submission to the Board for approval, with particular reference to:
  - a) matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013
  - b) changes, if any, in accounting policies and practices and reasons for the same
  - c) major accounting entries involving estimates based on the exercise of judgement by management
  - d) significant adjustments made in the financial statements arising out of audit findings
  - e) compliance with listing and other legal requirements relating to financial statements
  - f) disclosure of any related party transactions
  - g) modified opinion(s) in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
7. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process.
8. Approval or any subsequent modification of transactions of the Company with related parties.
9. Scrutiny of inter-corporate loans and investments.
10. Valuation of undertakings or assets of the Company, wherever it is necessary.
11. Evaluation of internal financial controls and risk management systems.
12. Reviewing with management, performance of statutory and internal auditors, and adequacy of the internal control systems.
13. To formulate the scope, functioning, periodicity and methodology for conducting the internal audit in consultation with the Internal Auditor.
14. Discussion with internal auditors any significant findings and follow up there on.
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
17. Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
18. Reviewing the functioning of the Whistle-Blower Mechanism.
19. Approval of appointment of Chief Financial Officer.
20. Reviewing the compliance with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015 at least once in a financial year and verify that the systems for internal control are adequate and are operating effectively.
21. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

### Nomination & Remuneration Committee

During FY 20-21, nine (9) Nomination & Remuneration Committee meetings were held on May 5, 2020; June 11, 2020; June 19, 2020; June 29, 2020; August 4, 2020; August 20, 2020; November 16, 2020; January 20, 2021 and February 22, 2021.

### Composition of Nomination & Remuneration Committee and attendance of members in meetings.

Name of the Director	Number of meetings	
	Held during tenure	Attended
Mr. Jairaj Purandare (Chairman)	9	9
Mr. Dhruv Kaji	9	9
Mr. Deepak Parekh	9	9
Mr. Parag Shah	9	9



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 can be accessed on your 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 other than directors nominated by Standard Life Investments Limited including remuneration. Stock Options may be granted to the Non-independent Directors as approved by the Committee. No stock options are granted to Independent Directors.

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

Details of the remuneration and shareholding of the Directors of the Company for the financial year 2020-21 are as follows:

Name of Directors	Salary ^ (in ₹)	Perquisites (in ₹)	Sitting fees (in ₹)	Commission® (in ₹)	Total (in ₹)	Shareholding
Mr. Deepak Parekh	-	-	25,00,000	20,00,000	45,00,000	1,60,000
Mr. Keki Mistry	-	-	17,00,000	20,00,000	37,00,000	1,68,320
Ms. Renu Karnad	-	-	15,00,000	20,00,000	35,00,000	1,68,320
Mr. James Aird	-	-	-	-	-	-
Mr. Norman Keith Skeoch <sup>1</sup>	-	-	-	-	-	-
Mr. Rushad Abadan <sup>2</sup>	-	-	-	-	-	-
Mr. Dhruv Kaji	-	-	27,00,000	20,00,000	47,00,000	-
Mr. Jairaj Purandare	-	-	27,00,000	20,00,000	47,00,000	-
Mr. Sanjay Bhandarkar	-	-	22,00,000	20,00,000	42,00,000	-
Mr. Parag Shah	-	-	17,00,000	20,00,000	37,00,000	-
Ms. Roshni Malhotra	-	-	7,00,000	20,00,000	27,00,000	-
Mr. Shashi Kant Sharma	-	-	18,00,000	20,00,000	38,00,000	-
! Mr. Milind Barve <sup>3</sup>	3,51,16,873	2,98,144	-	3,03,02,000	6,57,17,017	10,40,000
*Mr. Navneet Munot <sup>4</sup>	52,64,330	4,832	-	2,75,00,000	3,27,69,162	-

Notes:

<sup>1</sup> Ceased to be director w.e.f. the close of business hours of January 20, 2021.

<sup>2</sup> Appointed as an Additional (Non-Executive) Director w.e.f. January 21, 2021.

<sup>3</sup> Ceased to be Managing Director of the Company w.e.f. the close of business hours of February 15, 2021.

<sup>4</sup> Appointed as Managing Director & CEO w.e.f. February 16, 2021.

® The Commission for the financial year ended March 31, 2021 will be paid to Non-Executive and Independent Directors, subject to deduction of tax, after adoption of financial statements at the ensuing AGM.

<sup>^</sup> Salary includes contribution to Provident Fund made by the Company.

<sup>!</sup> Expenses towards gratuity have not been considered in the above information.

<sup>#</sup> 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. One time payment of ₹12.46 crores is also not included above.

Further, Mr. Navneet Munot was granted 8,00,000 employee stock options under Employees Stock Option Scheme – 2020 during the FY 2020-21 at a grant price of ₹ 2934.25.

No other directors were granted employee stock options during the FY 2020-21 and no stock options were exercised by the directors during the said financial year.

### Executive Director

The break-up of the pay scale, commission and quantum of perquisites including, employer's contribution to PF, gratuity, club fees, etc. is decided and approved by the Board on the recommendation of the Nomination & Remuneration Committee and would be within the overall remuneration approved by the shareholders. Stock Options are granted to the Managing Director & CEO of the Company as approved by the Nomination & Remuneration Committee. Terms of the service, the notice period and severance fees are as per the terms of agreement entered into by him with the Company.

### Evaluation of the Board and Directors

During the year, the Board carried out an annual evaluation of its own performance and that of Board committees and 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 an online module consisting of questionnaires 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 peer evaluations excluding the Director being evaluated. Since Mr. Rushad Abadan and Mr. Navneet Munot were recently inducted on the Board, they did not participate in the evaluation exercise. The Directors who have completed their term or resigned have also not participated in the evaluation questionnaire. 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 Management of the AMC was advised to implement one of the recommendations on detailed strategy planning for business of the Company.

It also expressed its satisfaction with the evaluation results and the overall engagement and effectiveness of the Board and its various Committees.

### Stakeholders Relationship Committee

During FY 20-21, four Stakeholders Relationship Committee meetings were held on May 9, 2020; July 23, 2020; October 22, 2020 and January 20, 2021.

### Composition of the Committee and attendance of the members in meetings

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

The Stakeholders Relationship Committee is responsible broadly to:

1. Review the activities carried out by the investor service centres of the Company and their adherence to service standards.
2. Review the steps taken by the Company to redress the grievances of the investors and the cases, if any, pending before the Courts/ Forums/ Regulatory Authorities against the Company/ Mutual Fund.
3. Consider and resolve the grievances of the security holders of the Company including complaints related to transfer of shares, non-receipt of annual report and non-receipt of declared dividends.
4. Review the measures taken for effective exercise of voting rights by shareholders.
5. Review adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent.
6. Review various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/ annual reports/ statutory notices by the shareholders of the Company.

## Compliance Officer

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

There were no investor complaints at the beginning of the financial year. During the year under review, the Company received 7 complaints from shareholders/ SEBI/ Stock Exchanges/ MCA. There were no complaints pending as on March 31, 2021. 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 Committee

During FY 20-21, one Corporate Social Responsibility (CSR) Committee meeting was held on March 10, 2021.

### Composition of the Committee and attendance of the Members in meetings

Name of Director	Number of meetings	
	Held during tenure	Attended
Mr. Deepak Parekh (Chairman)	1	1
Mr. Navneet Munot <sup>1</sup>	1	1
Mr. Milind Barve <sup>2</sup>	NA	NA
Mr. Parag Shah	1	1

<sup>1</sup> Appointed as a member w.e.f. February 16, 2021

<sup>2</sup> Ceased to be member of the Committee w.e.f. the close of business hours of February 15, 2021

The CSR Committee is responsible for formulating the Corporate Social Responsibility Policy, recommending the

## General Body Meetings

The Company held its last three Annual General Meetings as under:

Nature of Meeting	Date	Time	Venue	Special Resolution passed
21 <sup>st</sup> Annual General Meeting	July 23, 2020	2.30 p.m.	Through Video Conferencing/ Other Audio Visual means	(1) Approval for issuance of equity shares under Employees Stock Option Scheme – 2020 to the employees and Directors of the Company
20 <sup>th</sup> Annual General Meeting	July 16, 2019	3.00 p.m.	"Birla Matushri Sabhagar", 19, New Marine Lines, Mumbai – 400 020	(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 <sup>th</sup> Annual General Meeting	April 17, 2018	9.00 a.m.	Registered Office of the Company at "HDFC House", 2 <sup>nd</sup> floor, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai – 400 020	(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.

amount of expenditure to be incurred on CSR activities, and reviewing and approving projects/programmes to be supported by your Company.

For details of CSR activities, refer to the Directors' Report.

## Risk Management Committee

The Company has constituted the Risk Management Committee in line with the 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 May 09, 2020; July 23, 2020; October 22, 2020 and January 20, 2021.

### Composition of the Committee and attendance of the Members in meetings

Name of the Director	Number of meetings	
	Held during tenure	Attended
Mr. Deepak Parekh (Chairperson)	4	4
Mr. James Aird	4	4
Mr. Keki Mistry	4	4
Ms. Renu Sud Karnad	4	4
Mr. Sanjay Bhandarkar	4	4
Mr. Shashi Kant Sharma	4	4

The minutes of meetings of all the Committees of the Board of Directors were placed before the Board.

## Postal Ballot

During the year, no resolution was passed through postal ballot. There is no special resolution proposed to be conducted through postal ballot.

## Means of Communication

**Quarterly/ Half-yearly/ Annual Results:** The Quarterly Results of your Company are published in the Business Standard, a national English daily with a wide circulation, and the Navshakti (Marathi) newspaper. The results are also available on the website of the Company at [www.hdfcfund.com](http://www.hdfcfund.com).

**News Releases and Presentations:** News releases are first sent to the stock exchanges before their release to media for wider dissemination. Presentation made to Investors/ Analysts, Media, Institutional Investors, etc. are available on the website of stock exchanges where the shares of the Company are listed (BSE and NSE) as well as on the Company's website.

**Website:** The Company's website contains a separate section, AMC Shareholder where the latest shareholder information is available. It contains comprehensive information which is of interest to the shareholders including the financial results, Annual Reports, information disclosed to Stock Exchange, policies of the Company, etc.

**Annual Report:** The Annual Report containing Notice of the Annual General Meeting, Audited Annual Accounts, Directors' Report, Corporate Governance Report, Auditors' Report and other important information is circulated to members and others entitled thereto. The Management Discussion and Analysis (MDA) Report and Business Responsibility Report form part of the Annual Report.

**NSE Electronic Application Processing System (NEAPS), BSE Listing Centre:** The NSE and the BSE have developed web-based applications, NEAPS and BSE Listing Centre for corporates to electronically file compliances such as financial results, shareholding pattern and corporate governance report etc.

**SEBI Complaints Redress System (SCORES):** Shareholders complaints are also processed through a centralised web-based complaint redressal system, SCORES. The system enables the Company to have a centralised database of the complaints and upload online action taken reports. Investors can also view the current status of and actions taken on their complaints.

## Disclosures

### Related Party Transactions

During the FY 20-21, 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 Policy can be accessed 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 exchanges or SEBI, or any statutory authority on any matter related to the capital markets during the last three years.

It may be noted that the Company receives administrative warnings/deficiency letters in the regular course of its business pertaining to Mutual Funds / Portfolio Management Services pursuant to regulatory inspections conducted by SEBI from time to time. Necessary corrective actions in this regard are taken by the Company.

Further, SEBI issued show cause notices in May and June 2019 to the Company, HDFC Trustee Company Limited (Trustee Company) and certain officials of the Company for alleged violations of SEBI (Mutual Funds) Regulations, 1996 ("MF Regulations") in the matter of four schemes of HDFC Mutual Fund, i.e. Fixed Maturity Plans (FMPs) holding debt instruments of Essel Group Companies. Separate Settlement applications were filed with SEBI under SEBI (Settlement Proceedings) Regulations, 2018 by the Company, Officials of the AMC and the Trustee Company against the enforcement actions/proceedings initiated through the show cause notices issued by SEBI, without admission or denial of guilt. SEBI issued Settlement Order no. SO/EFD-2/SD/337/April/2020 dated April 16, 2020 in this regard whereby the enforcement action and enforcement proceedings had been disposed of against the Company, Officials of the Company and Trustee Company.

Additionally, pursuant to inspection of HDFC Mutual Fund conducted by SEBI for the period April 01, 2014 to March 31, 2016, SEBI issued letters dated May 31, 2018 to the Company and Trustee Company informing about initiation of quasi judicial proceedings against them with respect to certain alleged violations under MF Regulations and circulars and/or guidelines issued thereunder. The Company and Trustee Company filed settlement applications with SEBI under the 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 04, 2018 in this regard stating that the quasi judicial proceedings had been disposed of.





### Whistle-Blower Policy/Vigil Mechanism

This Policy has been formulated for Directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Business Conduct and Ethics Policy. The Company has adopted a third party web-based reporting tool which provides a secure and confidential platform to report genuine concerns and can be accessed by all employees/ Directors/ stakeholders for lodging a complaint or expressing genuine concerns.

During the year, no person was denied access to the Audit Committee for expressing their concerns or reporting grievances under the Whistle-Blower Policy and/or vigil mechanism.

The Policy is available at <https://www.hdfcfund.com/about-us/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 (Prohibition of Insider Trading) (Amendment) Regulations, 2020 dated July 17, 2020 and SEBI Circular Nos. SEBI/HO/ISD/ISD/CIR/P/2020/133, SEBI/HO/ISD/ISD/CIR/P/2020/135 dated July 23, 2020.

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

Your Company has complied with all the mandatory corporate governance requirements under the Listing Regulations. Specifically your Company confirms compliance with Corporate Governance requirements specified in regulations 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 of the Listing Regulations.

M/s. Bhandari & Associates, Practicing Company Secretaries, have certified that your Company has complied with the mandatory requirements as stipulated under the Listing Regulations. The certificate forms part of this Report.

Your Company has also obtained a certificate from M/s. Bhandari & Associates, Practicing Company Secretaries, confirming that none of the Directors on the Board of your Company have been debarred or disqualified from being

appointed or continuing as directors of companies by SEBI/ Ministry of Corporate Affairs or any such statutory authority.

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

### Modified Opinion(s) in Audit Report

Your Company's financial statements have unmodified audit opinions.

### Reporting of Internal Auditor

The Internal Auditor reports directly to the Audit Committee.

### Material Subsidiary

In accordance with Regulation 16(1)(c) of the Listing Regulations, your Company has formulated Policy for Determining Material Subsidiary which is available at <https://www.hdfcfund.com/about-us/governance/codes-policies> Your Company does not have any subsidiary as on date.

### Commodity Price Risk or Foreign Exchange Risk and Hedging Activities

As such, your Company is not exposed to any commodity price or Foreign Exchange 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 Auditors

Details of fees paid to the Statutory Auditors, BSR and Co. LLP and all entities in the network firm/network entity of which the statutory auditor is a part, for all services taken by your Company during FY 20-21 are as under:

Particulars	₹ (in Crore)	
		Amount
Audit Fees		0.24
Tax Audit Fees		0.03
Taxation Matters		0.16
Reimbursement of Expenses		0.02
Limited Review Fees		0.15
Other Services		0.27
<b>Total</b>		<b>0.87</b>

Notes:

- 1) The above amounts includes 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**

Your Company has zero tolerance for sexual harassment at workplace and is compliant with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

During FY 20-21, the Internal Complaints Committee did not receive any complaints pertaining to sexual harassment.

### **Code of Conduct**

Your Company has adopted a Code of Conduct for all employees including the members of the Board and Senior Management Personnel. All members of the Board and Senior Management Personnel have affirmed compliance with the said Code of Conduct for FY 20-21.

The declaration to this effect signed by Mr. Navneet Munot, Managing Director & Chief Executive Officer of the Company forms part of this Report.

### **MD / CFO Certification**

Necessary certification has been issued by Mr. Navneet Munot, Managing Director & CEO 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 does not have any equity shares lying in Demat suspense account/unclaimed suspense account since the beginning of FY 20-21.



# General Shareholder Information:

## 22<sup>nd</sup> Annual General Meeting

Day/Date	:	Friday, July 16, 2021
Time	:	3:00 p.m. (IST)
Venue	:	Annual General Meeting through Video Conferencing/ Other Audio Visual Means (VC / OAVM facility) Deemed Venue for Meeting: Registered Office: "HDFC House", 2 <sup>nd</sup> Floor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai – 400 020
Financial Year	:	April 01 to March 31
Book Closure Dates	:	July 01, 2021 to July 16, 2021 (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 April 27, 2021 has recommended dividend of ₹ 34/- [Rupees Thirty-Four only] per equity share of ₹ 5/- each for the financial year 2020-21, subject to approval by shareholders. The dividend payment date shall be July 17, 2021 onwards.

#### Unclaimed Dividend

The details of the last date for claiming the unclaimed dividends from the Company, prior to transfer to IEPF are as under:

Financial Year	Date of payment	Last date to claim from the Company prior to transfer to IEPF
Interim dividend 2018-19	March 12, 2019	March 29, 2026
Final dividend 2018-19	July 17, 2019	August 18, 2026
Dividend 2019-20	July 24, 2020	August 26, 2027

#### E-voting Period

Starts: Monday, July 12, 2021 at 10.00 a.m.

Ends: Thursday, July 15, 2021 at 5.00 p.m.

Cut-off date for e-voting: Friday, July 9, 2021. Shareholders holding shares as on cut-off date shall be eligible to vote either through remote e-voting or during the AGM.

## Listing Details

Name of Stock Exchange	Stock Code
BSE Limited (BSE) 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 Limited (BSE) and National Stock Exchange of India Limited (NSE) for the financial year ended March 31, 2021 are as under:

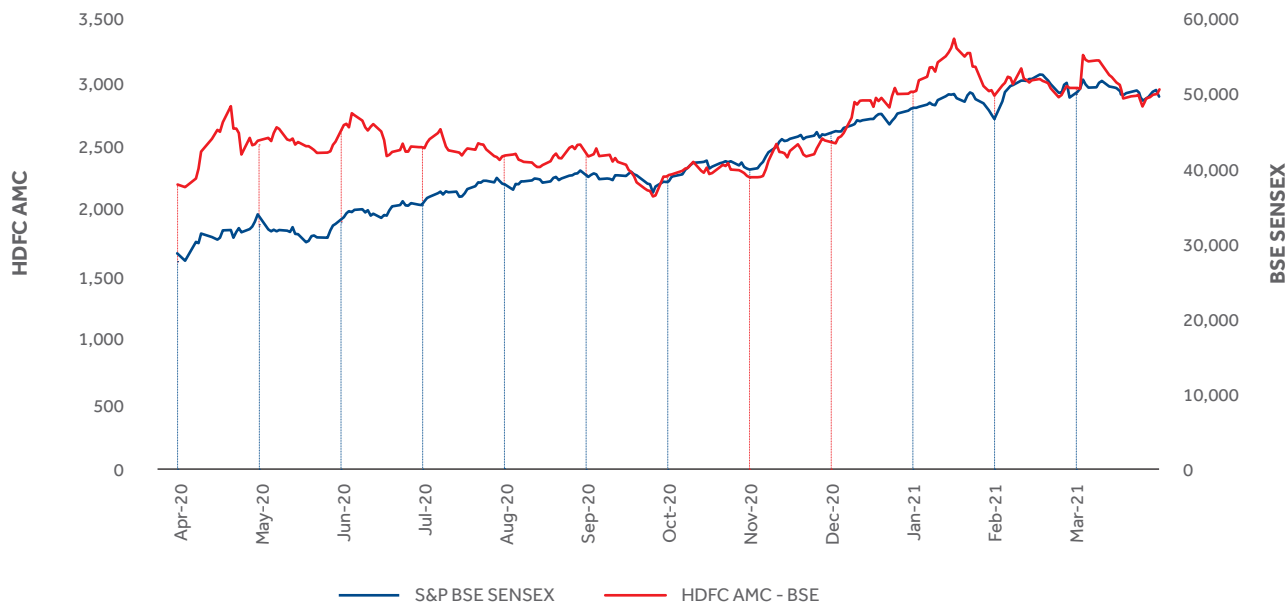
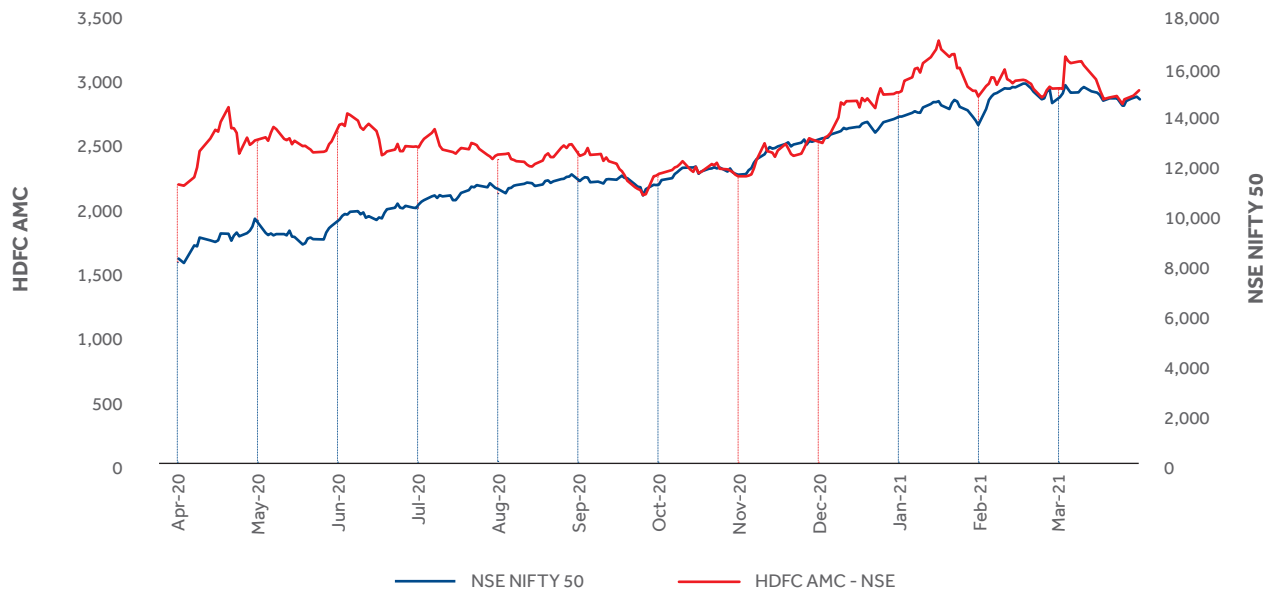
Months	BSE Limited			National Stock Exchange of India Limited		
	High	Low	No. of Shares Traded	High	Low	No. of Shares Traded
April 2020	2818.85	2115	514042	2820	2100	8987088
May 2020	2698.2	2393.5	266760	2700	2392.4	4810564
June 2020	2769.7	2403	809903	2779.45	2402.15	13576881
July 2020	2629.45	2380.05	589036	2632	2380	9814637
August 2020	2525	2315	605834	2529	2318.05	8035470
September 2020	2487.95	2071	1265049	2488.1	2070.05	8159337
October 2020	2384	2238	258619	2374.7	2237.05	4426931
November 2020	2575	2225.9	508230	2577.1	2225.9	6879465
December 2020	2989.25	2490.05	585003	2990	2500	9927787
January 2021	3358.3	2853.3	513966	3358.9	2852.15	7907667
February 2021	3107.15	2838.25	388916	3108.95	2843.45	4705423
March 2021	3245	2774.65	349923	3247.25	2772.75	6351907

Source: BSE and NSE Website



### Stock Performance in comparison to broad-based indices

The charts below show the comparison of the Company’s share price movement on NSE and BSE vis-à-vis the movement of the NSE Nifty 50 and S&P BSE Sensex indices respectively, for the financial year ended March 31, 2021:



Sources: BSE and NSE Website

The Equity Shares of the Company were not suspended from trading as on March 31, 2021.

**Registrar and Transfer Agent (RTA):**

**KFin Technologies Private Limited  
(Formerly known as Karvy Fintech Private Limited)**  
Selenium Tower B, Plot 31-32,  
Financial District, Nanakramguda,  
Serilingampally Mandal,  
Hyderabad – 500 032, Telangana.  
Website: <https://www.kfintech.com> / <https://ris.kfintech.com/>  
E-mail: [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com)  
Toll Free No.: 1800-309-4001

For any assistance regarding dematerialisation of shares, share transfers, transmissions, change of address, registration of e-mail ID, non-receipt of dividend or any other query relating to shares, please write to our RTA at aforesaid address.

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

The e-mail ID, [shareholders.relations@hdfcfund.com](mailto: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 Agents (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 to 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, 2021**

Category of Shareholders	Number of Shares	% of Total Shares
Promoter	157408135	73.92
Individuals (includes HUFs)	20381294	9.57
FII/ QFIs/ FPIs	19946711	9.37
Mutual Funds	2281022	1.07
Financial institutions/Banks	644361	0.30
Bodies corporate	1120556	0.53
NRIs/foreign nationals	751379	0.35
Directors & their Relatives	498636	0.23
Clearing members	155973	0.07
Alternative Investment Funds	359395	0.17
Qualified Institutional Buyer	9394388	4.41
NBFC	1379	0.00
Trusts	10973	0.01
<b>Total</b>	<b>212954202</b>	<b>100</b>



**Distribution of Shareholding as on March 31, 2021**

Sr. No	Category (Shares)	No. of Holders	% to Holders	No. of Shares	% to Equity
1.	1 - 5000	475775	99.88	15360020	7.21
2.	5001 - 10000	193	0.04	1357692	0.64
3.	10001 - 20000	112	0.02	1574060	0.74
4.	20001 - 30000	50	0.01	1220613	0.57
5.	30001 - 40000	34	0.01	1208551	0.57
6.	40001 - 50000	26	0.01	1188062	0.56
7.	50001 - 100000	63	0.01	4477816	2.10
8.	100001 and above	84	0.02	186567388	87.61
	<b>Total</b>	<b>476337</b>	<b>100</b>	<b>212954202</b>	<b>100</b>

**Dematerialisation of Shares and Liquidity as on March 31, 2021**

Particulars of Equity Holding	Equity Shares of ₹ 5/- each	
	Number	% of Total
Dematerialised form		
NSDL	20,69,80,572	97.19
CDSL	59,73,587	2.81
<b>Sub-Total</b>	<b>21,29,54,159</b>	<b>100</b>
Physical form	43	0
<b>Total</b>	<b>21,29,54,202</b>	<b>100</b>

**Outstanding GDRs/ ADRs/ Warrants or any convertible instruments**

There are no outstanding GDRs/ ADRs/ Warrants or any convertible instruments as on March 31, 2021.

**Plant Locations**

The Company is engaged in the business of financial services and has no such plants, however we serve our customers and distribution partners in over 200 cities through our network of 227 Investor Service Centres.

**Address for Correspondence with the Company****HDFC Asset Management Company Limited**

CIN: L65991MH1999PLC123027

Registered Address: "HDFC House", 2<sup>nd</sup> Floor,  
H. T. Parekh Marg, 165-166, Backbay Reclamation,  
Churchgate, Mumbai – 400 020.

Tel.: 022 – 66316333 Fax: 022 – 66580203

Website: [www.hdfcfund.com](http://www.hdfcfund.com)

E-mail: [shareholders.relations@hdfcfund.com](mailto:shareholders.relations@hdfcfund.com)

List of all credit ratings obtained by the entity along with any revisions thereto during the relevant financial year, for all debt instruments of such entity or any fixed deposit programme or any scheme or proposal of the listed entity involving mobilisation of funds, whether in India or abroad. – **Not Applicable**

# Declaration by the Managing Director & Chief Executive Officer

[Regulation 34(3) read with Schedule V (Part D) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To the Members of  
**HDFC Asset Management Company Limited**

I, Navneet Munot, Managing Director & Chief Executive Officer of HDFC Asset Management Company Limited, hereby confirm that all the members of the Board of Directors and Senior Management have affirmed compliance with the Code of Conduct of the Board of Directors and Senior Management of the Company.

**Navneet Munot**

Managing Director & Chief Executive Officer

Place: Mumbai

Date: April 27, 2021

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## MD / CFO Certificate

The Board of Directors  
**HDFC Asset Management Company Limited**  
HDFC House, H. T. Parekh Marg,  
165-166 Backbay Reclamation,  
Churchgate, Mumbai – 400020.

Sub: Regulation 17(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015

Dear Sir(s)/ Madam(s),

This is to confirm and certify that –

1. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2021 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: April 27, 2021

**Navneet Munot**

Managing Director & Chief Executive Officer

**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  
E-mail: [mumbai@anilashok.com](mailto: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, 2021 as stipulated in chapter IV of The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["Listing Regulations"].

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as specified in chapter IV of the Listing Regulations.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **Bhandari & Associates**  
Company Secretaries

**S. N. Bhandari**

Partner  
FCS No.: 761; C P No.: 366

Mumbai | April 27, 2021  
UDIN: F000761C000134224

# 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, 2021, 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, 2021, 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 judgement, 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><b>Revenue Recognition: Investment Management Fee</b></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. There is a process of manual inputting of approved fee rate used for computation of Investment Management Fee income.</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"> <li>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</li> <li>Investment management fee is accrued based on a five-step model as set out in Ind AS 115 "Revenue from Contract with Customers"</li> </ul>	<p>Our audit procedures included:</p> <p><b>Testing of Design and Operating Effectiveness of controls</b></p> <ul style="list-style-type: none"> <li>Understood and evaluated the design and implementation of management review controls and other key controls relating to recognition of investment management fee;</li> <li>Test checked the operating effectiveness of management review controls, and other key controls over recognition of investment management fee.</li> </ul> <p><b>Substantive tests</b></p> <ul style="list-style-type: none"> <li>Evaluated the appropriateness of revenue recognition in respect of investment management fee income based on the requirements of Ind AS 115;</li> <li>Obtained and tested arithmetical accuracy of investment management fee calculations and reconciled investment management fee to amounts included in financial statements for completeness of income recognition;</li> </ul>



Key audit matter	How the matter was addressed in our audit
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Test checked that investment management fee rates were approved by authorised personnel;</li> <li>Obtained and read the investment management fee certification reports, issued by the statutory auditors of mutual fund schemes, in accordance with generally accepted assurance standards for such work and reconciled the certified amounts with the accounting records;</li> <li>Test checked the investment management fee invoices and reconciled with the accounting records;</li> <li>Test checked the receipts of money of Investment Management fee income in the bank statements.</li> <li>Evaluated the adequacy of disclosures relating to the investment management fee earned by the Company.</li> </ul>

### 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 judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate

internal financial controls, that were operating effectively for ensuring 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 judgement 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, 2021 and taken on record by the Board of Directors, none of the Directors are disqualified as on March 31, 2021 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, 2021 on its financial position in its financial statements – refer note 31 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, 2021.
- (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

Mumbai  
April 27, 2021

**Akeel Master**  
*Partner*  
Membership No: 046768  
UDIN: 21046768AAAABZ3526

# Annexure A to the Independent Auditor's Report

March 31, 2021 (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 thereunder. 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, 2021 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	2,705,330	A.Y. 2008-2009	High Court of Bombay
Income Tax Act, 1961	Income Tax	869,199	A.Y. 2009-2010	Commissioner of Income Tax Appeal
Income Tax Act, 1961	Income Tax	741,820	A.Y. 2010-2011	Deputy Commissioner of Income Tax
Income Tax Act, 1961	Income Tax	1,168,520	A.Y. 2011-2012	Deputy Commissioner of Income Tax
Income Tax Act, 1961	Income Tax	1,324,140	A.Y. 2012-2013	Deputy Commissioner of Income Tax
Income Tax Act, 1961	Income Tax	15,169,450	A.Y. 2012-2013	Commissioner of Income Tax Appeal
Income Tax Act, 1961	Income Tax	1,095,590	A.Y. 2013-2014	Deputy Commissioner of Income Tax
Income Tax Act, 1961	Income Tax	17,138,730	A.Y. 2013-2014	Commissioner of Income Tax Appeal
Income Tax Act, 1961	Income Tax	2,518,814	A.Y. 2014-2015	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	1,267,737	A.Y. 2016-2017	Commissioner of Income Tax Appeal
Income Tax Act, 1961	Income Tax	11,037,951	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*

Membership No: 046768

UDIN: 21046768AAAABZ3526

Mumbai  
April 27, 2021

# Annexure B to the Independent Auditor's Report

March 31, 2021 (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, 2021 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, 2021, 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 the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### Auditor's responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing prescribed under Section 143 (10) of the Act, to the extent applicable to an audit of internal financial controls

with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and 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 judgement, 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 authorisations of management and Directors of the Company and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the 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

April 27, 2021

Membership No: 046768

UDIN: 21046768AAAABZ3526

# Balance Sheet

as at March 31, 2021

Particulars	Note No.	₹ (in Crore)	
		As at March 31, 2021	As at March 31, 2020
<b>Assets</b>			
<b>I Financial Assets</b>			
a Cash and Cash Equivalents	4	1.68	26.64
b Bank Balance other than (a) above	5	0.67	0.46
c Receivables			
(i) Trade Receivables	6	79.91	60.59
(ii) Other Receivables	7	3.85	3.99
d Investments	8	4,753.25	3,944.51
e Other Financial Assets	9	32.35	29.95
<b>Sub-total – Financial Assets</b>		<b>4,871.71</b>	<b>4,066.14</b>
<b>II Non-Financial Assets</b>			
a Current Tax Assets (net)		31.29	32.37
b Deferred Tax Assets (net)	10	-	21.67
c Property, Plant and Equipment	11	136.86	141.39
d Intangible Assets Under Development		1.18	4.60
e Goodwill	11	6.04	6.04
f Other Intangible Assets	11	10.32	9.28
g Other Non-Financial Assets	12	37.30	27.11
<b>Sub-total – Non-Financial Assets</b>		<b>222.99</b>	<b>242.46</b>
<b>Total Assets</b>		<b>5,094.70</b>	<b>4,308.60</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
<b>I Financial Liabilities</b>			
<b>A Payables</b>			
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	42.11	46.73
<b>B Other Financial Liabilities</b>	14	187.90	178.37
<b>Sub-total – Financial Liabilities</b>		<b>230.01</b>	<b>225.10</b>
<b>II Non-Financial Liabilities</b>			
a Current Tax Liabilities (net)		4.34	3.94
b Provisions	15	7.88	7.25
c Deferred Tax Liabilities (net)	16	32.13	-
d Other Non-Financial Liabilities	17	44.16	43.05
<b>Sub-total – Non-Financial Liabilities</b>		<b>88.51</b>	<b>54.24</b>
<b>Total Liabilities</b>		<b>318.52</b>	<b>279.34</b>
<b>III Equity</b>			
a Equity Share Capital	18	106.48	106.40
b Other Equity	19	4,669.70	3,922.86
<b>Sub-total – Equity</b>		<b>4,776.18</b>	<b>4,029.26</b>
<b>Total Liabilities and Equity</b>		<b>5,094.70</b>	<b>4,308.60</b>

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 and on behalf of the Board of Directors

For **BSR & Co. LLP**

Chartered Accountants

ICAI Firm Registration No: 101248W/W-100022

**Akeel Master**

Partner

Membership No: 046768

Mumbai, April 27, 2021

**Deepak S. Parekh**

Chairman

(DIN: 00009078)

**Piyush Surana**

Chief Financial Officer

**Navneet Munot**

Managing Director &amp; Chief Executive Officer

(DIN: 05247228)

**Sylvia Furtado**

Company Secretary

(ACS: 17976)





# Statement of Profit and Loss

for the year ended March 31, 2021

₹ (in Crore except per equity share data)

Particulars	Note No.	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Revenue from Operations</b>			
Asset Management Services	20	1,852.53	2,003.25
<b>Other Income</b>	21	349.21	140.18
<b>Total Income</b>		<b>2,201.74</b>	<b>2,143.43</b>
<b>Expenses</b>			
Finance Costs	29	8.95	8.98
Fees and Commission Expenses		5.69	20.89
Employee Benefits Expenses	22	226.75	214.71
Depreciation, Amortisation and Impairment	11	55.41	50.37
Other Expenses	23	155.99	195.43
<b>Total Expenses</b>		<b>452.79</b>	<b>490.38</b>
<b>Profit Before Tax</b>		<b>1,748.95</b>	<b>1,653.05</b>
<b>Tax Expense</b>			
Current Tax		369.39	410.52
Deferred Tax Charge/(Credit)		53.80	(19.88)
<b>Total Tax Expense</b>		<b>423.19</b>	<b>390.64</b>
<b>Profit After Tax</b>		<b>1,325.76</b>	<b>1,262.41</b>
<b>Other Comprehensive Income</b>			
(i) Items that will not be reclassified to profit or loss			
- Remeasurement gain/(loss) of the defined benefit plans		(0.92)	(4.11)
(ii) Income tax relating to items that will not be reclassified to profit or loss			
- Tax on Remeasurement of the defined benefit plans		0.23	1.03
<b>Total Other Comprehensive Income</b>		<b>(0.69)</b>	<b>(3.08)</b>
<b>Total Comprehensive Income</b>		<b>1,325.07</b>	<b>1,259.33</b>
<b>Earnings Per Equity Share (Face Value ₹ 5) (see note 28)</b>			
- Basic		62.28	59.37
- Diluted		62.16	59.24

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, April 27, 2021

For and on behalf of the Board of Directors

**Deepak S. Parekh**

Chairman

(DIN: 00009078)

**Piyush Surana**

Chief Financial Officer

**Navneet Munot**

Managing Director &amp; Chief Executive Officer

(DIN: 05247228)

**Sylvia Furtado**

Company Secretary

(ACS: 17976)

# Statement of Changes in Equity

for the year ended March 31, 2021

## 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
<b>Equity Shares of ₹ 5 each (March 31, 2020: ₹ 5 each), fully paid up</b>			
As at March 31, 2020	106.29	0.11	106.40
As at March 31, 2021	106.40	0.08	<b>106.48</b>

## B. Other Equity

Particulars	₹ (in Crore)						Total
	Share Application Money – Pending allotment	Capital Redemption Reserve	Securities Premium	General Reserve	Share Options Outstanding Account	Retained Earnings	
<b>Opening balance as at April 01, 2019</b>	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)
<b>Total Comprehensive Income for the year</b>	-	-	-	-	-	<b>1,259.33</b>	<b>1,259.33</b>
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)
<b>Changes during the year</b>	<b>(0.13)</b>	-	<b>17.74</b>	-	<b>(2.33)</b>	<b>951.78</b>	<b>967.06</b>
<b>Closing balance as at March 31, 2020</b>	<b>0.00</b>	<b>52.41</b>	<b>555.04</b>	<b>174.97</b>	<b>6.92</b>	<b>3,133.52</b>	<b>3,922.86</b>
<b>Opening balance as at April 01, 2020</b>	<b>0.00</b>	<b>52.41</b>	<b>555.04</b>	<b>174.97</b>	<b>6.92</b>	<b>3,133.52</b>	<b>3,922.86</b>
Profit for the year	-	-	-	-	-	1,325.76	1,325.76
Other Comprehensive Income – Remeasurement gain/(loss) of the defined benefit plans (net of tax)	-	-	-	-	-	(0.69)	(0.69)
<b>Total Comprehensive Income for the year</b>	-	-	-	-	-	<b>1,325.07</b>	<b>1,325.07</b>
Final Equity Dividend Paid	-	-	-	-	-	(595.96)	(595.96)
Transfer from Share Options Outstanding Account to Securities Premium (towards options exercised)	-	-	1.74	-	(1.74)	-	-
Additions during the year	10.45	-	10.38	-	7.35	-	28.18
Utilised during the year	(10.45)	-	-	-	-	-	(10.45)
<b>Changes during the year</b>	<b>0.00</b>	-	<b>12.12</b>	-	<b>5.61</b>	<b>729.11</b>	<b>746.84</b>
<b>Closing balance as at March 31, 2021</b>	<b>0.00</b>	<b>52.41</b>	<b>567.16</b>	<b>174.97</b>	<b>12.53</b>	<b>3,862.63</b>	<b>4,669.70</b>

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, April 27, 2021

For and on behalf of the Board of Directors

**Deepak S. Parekh**

Chairman

(DIN: 00009078)

**Piyush Surana**

Chief Financial Officer

**Navneet Munot**

Managing Director &amp; Chief Executive Officer

(DIN: 05247228)

**Sylvia Furtado**

Company Secretary

(ACS: 17976)



# Statement of Cash Flows

for the year ended March 31, 2021

₹ (in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>A. Cash Flow from Operating Activities</b>		
<b>Profit Before Tax*</b>	1,748.95	1,653.05
<b>Add/(Less): Adjustments for</b>		
Depreciation, Amortisation and Impairment	55.41	50.37
Finance Costs	8.95	8.98
Share Based Payments to Employees	7.35	-
(Profit)/Loss on Sale of Investments (net)	(91.29)	(18.49)
Fair Value (Gain)/Loss on Investments	(217.06)	21.88
Net (Gain)/Loss on foreign currency transactions and translations	0.01	(0.02)
(Profit)/Loss on Derecognition of Property, Plant and Equipment and Other Intangible Assets (net)	(0.04)	(0.05)
Investment Income from Financial Instruments	(32.00)	(119.08)
Other Interest Income	(1.57)	(1.72)
<b>Operating Profit before working capital changes</b>	<b>1,478.71</b>	<b>1,594.92</b>
<b>Adjustments for:</b>		
(Increase)/Decrease in Trade Receivables	(19.31)	22.08
(Increase)/Decrease in Other Receivables	0.14	16.21
(Increase)/Decrease in Other Financial Assets	0.10	32.90
(Increase)/Decrease in Other Non-Financial Assets	(10.29)	18.40
Increase/(Decrease) in Trade Payable	(4.57)	(0.77)
Increase/(Decrease) in Other Financial Liabilities	7.40	(5.19)
Increase/(Decrease) in Provisions	0.63	6.24
Increase/(Decrease) in Other Non-Financial Liabilities	0.19	4.58
<b>Cash generated from/(used in) operations</b>	<b>1,453.00</b>	<b>1,689.37</b>
Income Tax Paid	(367.68)	(404.53)
<b>Net cash from/(used in) operating activities (A)</b>	<b>1,085.32</b>	<b>1,284.84</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Property, Plant and Equipment and Other Intangible Assets	(11.62)	(29.83)
Proceeds from Sale of Property, Plant and Equipment and Other Intangible Assets	0.04	0.06
Purchase of Investments	(3,980.90)	(6,057.29)
Proceeds from Sale of Investments	3,467.30	5,110.24
Dividend Received	0.57	4.10
Interest Received/(Paid)	41.90	45.18
<b>Net cash from/(used in) investing activities (B)</b>	<b>(482.71)</b>	<b>(927.54)</b>

# Statement of Cash Flows

for the year ended March 31, 2021

Particulars	₹ (in Crore)	
	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Issuance of Share Capital	10.46	15.53
Share Application Money – Pending allotment	-	(0.13)
Principal Element of Lease Payments	(33.12)	(30.43)
Interest Element of Lease Payments	(8.95)	(8.98)
Final Equity Dividend Paid	(595.96)	(255.11)
Tax Paid on Final Equity Dividend	-	(52.44)
<b>Net cash from/(used in) financing activities (C)</b>	<b>(627.57)</b>	<b>(331.56)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A + B + C)</b>	<b>(24.96)</b>	<b>25.74</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>26.64</b>	<b>0.90</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>1.68</b>	<b>26.64</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(24.96)</b>	<b>25.74</b>
<b>Cash and cash equivalents comprising of:</b>		
Balance with banks	1.68	26.64
Effect of exchange rate difference on balances with banks in foreign currency	0.00	0.00
<b>Total</b>	<b>1.68</b>	<b>26.64</b>
*Amount spent towards Corporate Social Responsibility expense as per Section 135(5) of the Companies Act, 2013 (see note 33)	26.99	20.90

**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 and on behalf of the Board of Directors

For **BSR & Co. LLP**

Chartered Accountants

ICAI Firm Registration No: 101248W/W-100022

**Akeel Master**

Partner

Membership No: 046768

Mumbai, April 27, 2021

**Deepak S. Parekh**

Chairman

(DIN: 00009078)

**Piyush Surana**

Chief Financial Officer

**Navneet Munot**

Managing Director & Chief Executive Officer

(DIN: 05247228)

**Sylvia Furtado**

Company Secretary

(ACS: 17976)



# Notes to financial statements

for the year ended March 31, 2021

## 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, 2<sup>nd</sup> 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, 2021, Housing Development Finance Corporation Limited, the holding Company owned 52.68% of the Company's equity share capital.

The equity shares of the Company have been listed on National Stock Exchange of India Limited and BSE Limited since August 06, 2018.

## 2. Basis of preparation and recent accounting developments

### 2.1 Basis of preparation

#### a) Statement of compliance

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

The financial statements were approved for issue by the Company's Board of Directors on April 27, 2021.

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 37.

#### 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 up to 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 of the options granted as on the grant date

#### e) Use of estimates and judgements

In preparing these financial statements, management has made judgements, 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 the reporting date. Actual results could differ from these estimates and differences between actual results and estimates are recognised in the periods in which the results/actions are known or materialised. Revisions to accounting estimates are recognised prospectively.

# Notes to financial statements

for the year ended March 31, 2021

## Assumptions and estimation uncertainties

Information about critical judgements, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment is included in the following notes:

- Note 3.3 (A) (iii) and 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 24 – measurement of defined benefit obligations: key actuarial assumptions;
- Note 25 – Share based payments;
- Note 26 – recognition of deferred tax assets;
- Note 31 – recognition and measurement of provisions and contingencies; key assumptions about the likelihood and magnitude of an outflow of resources, if any;
- Note 36 – Financial instruments – Fair values, risk management and impairment of financial assets;
- Note 39 – 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 judgement and estimation in the determination of fair value. Judgement and estimation are usually

required for selection of the appropriate valuation methodology, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and selection of appropriate discount rates.

The management regularly reviews significant unobservable inputs and valuation adjustments.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 25 – Share based payment
- Note 36 – Financial instruments – Fair values and risk management

## 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 on accounting standards which would have been applicable from April 01, 2021.

## 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.





# Notes to financial statements

for the year ended March 31, 2021

## 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, subsequent measurement, gains and losses

#### 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 designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

However, on initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income (OCI) (designated as FVOCI – equity investment). This election is made on an investment-by-investment basis.

All financial assets not classified 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 as at FVTPL that otherwise meets the requirements to be measured at amortised cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and

# Notes to financial statements

for the year ended March 31, 2021

- terms that limit the Company's claim to cash flows from specified assets.

## Financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in the Statement of Profit and Loss. Any gain or loss on derecognition is recognised in the Statement of Profit and Loss.
Debt investments measured at FVOCI	These assets are subsequently measured at fair value. Interest income under effective interest method, foreign exchange gains and losses and impairment losses are recognised in the Statement of Profit and Loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the 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 Statement of Profit or Loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, any interest or dividend income, are recognised and are presented separately in the Statement of Profit and Loss

## Financial liabilities: Classification, subsequent measurement, 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 in the Statement of Profit and Loss.

### (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 classified as Fair Value Through Profit and Loss or Equity investments at FVOCI. Expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk or the assets have become credit impaired from initial recognition in which case, those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date is recognised as an impairment gain or loss in the 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, 2021

## 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.

### (v) Off-setting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

## 3.3 (A) Property, plant and equipment

### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price (after deducting trade discounts and rebates) including import duties and non-refundable taxes, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

### (ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably.

### (iii) Depreciation

Depreciation on property, plant and equipment is provided on straight-line basis as per the estimated useful life and in the manner prescribed in Schedule II of the Companies Act, 2013 except for certain assets.

Following is the summary of useful lives of the assets as per management's estimate and as required by the Companies Act, 2013 except assets individually costing less than Rupees five thousand which are fully depreciated in the year of purchase/acquisition.

Class of property, plant and equipment	Useful Life (no. of years)	
	As per the Companies Act, 2013	As per management's estimate
Buildings*	60	50
Computer Equipment:		
Server and Network*	6	4
Others	3	3
Furniture and Fixtures*	10	7
Electrical Installations*	10	7
Office Equipment	5	5
Vehicles*	8	4
Improvement of Rented Premises	Not specified	Over the lease term or 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/up to the date on which asset is ready to use/disposed off.

### (iv) Derecognition

The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognised 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

# Notes to financial statements

for the year ended March 31, 2021

is not amortised but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses, if any.

## (C) Other intangible assets

Other intangible assets including computer software are measured at cost and recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Such other intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

### (i) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Statement of Profit and Loss as incurred.

### (ii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight-line method, and is included in depreciation and amortisation in the Statement of Profit and Loss. Computer Software is being amortised over a period of 3 years.

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted, if required.

### (iii) Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected to arise from its continuous use, and the resultant gains or losses are recognised in the 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 recognise 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



# Notes to financial statements

for the year ended March 31, 2021

amount of consideration to which it will be entitled in exchange for rendering the promised services to a customer. The amount of consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, or other similar items. The promised consideration can also vary if an entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event.

## Nature of services

The Company principally generates revenue by providing asset management services to HDFC Mutual fund and other clients.

Services	Nature, timing of satisfaction of performance obligations and significant payment terms
Investment Management Services	<p>The Company has been appointed as the investment manager to HDFC Mutual Fund. The Company receives investment management fees from the mutual fund which is charged as a percent of the Assets Under Management (AUM) and is recognised on accrual basis. The maximum amount of management fee that can be charged is subject to applicable SEBI regulations.</p> <p>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.</p>
Portfolio Management and Advisory Services	<p>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.</p> <p>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.</p>

## (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 amortised 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 (AMFI) and had been presented under the respective expense heads in the Statement of Profit and Loss.

# Notes to financial statements

for the year ended March 31, 2021

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 schemes. The fair value at grant date of equity settled share-based payment options granted to employees is recognised as an employee benefit expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the options. The amount recognised as expense is based on the estimate of the number of options for which the related service conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of options that do meet the related service conditions at the vesting date. Such compensation cost is amortised over the vesting period of the respective tranches of such grant.

### (iii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the 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 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.





# Notes to financial statements

for the year ended March 31, 2021

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 recognises Right-of-Use (ROU) and lease liabilities for these leases i.e. these leases are on-balance sheet.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and is discounted using the Company's incremental borrowing rate. Since the Company does not have any debts, the Company's incremental borrowing rate has been determined based on the risk-free rate which is adjusted for the financial spread based on the credit spread of the holding Company.

Certain leases include lease and non-lease components, which are accounted for as one single lease component. Occupancy lease agreements, in addition to contractual rent payments, generally include additional payments for certain costs incurred by the landlord, such as maintenance expenses and utilities. To the extent these are fixed or determinable, they are included as part of the lease payments used to measure the lease liability.

The ROU asset is initially measured at cost, which comprises of the initial measurement of the lease liability

# Notes to financial statements

for the year ended March 31, 2021

adjusted for any lease payments made at or before the commencement date, less any lease incentives received; plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. The ROU assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

Leases may include options to extend, terminate the lease which are included in the ROU Assets and Lease Liability when they are reasonably certain of exercise.

The lease liability is remeasured when there is a change in one of the following:

- the Company's estimate of the amount expected to be payable under a residual value guarantee, or
- the Company's assessment of whether it will exercise a purchase, extension, or termination option or
- if there is a modification in the lease.

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.

## As a lessor

When the Company is the lessor, the lease is classified as either a finance lease or an operating lease. A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. An operating lease is a lease where substantially all of the risks and rewards of the leased asset remain with the lessor.

Amounts due from lessees under finance leases are recorded as receivables. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

### 3.10 Income Tax

Income tax comprises of current and deferred tax. It is recognised in the Statement of Profit and Loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in Other Comprehensive Income.

#### (i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set-off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

#### (ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits, if any

Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is other convincing evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised/reduced to the extent that it is probable/no longer probable



# Notes to financial statements

for the year ended March 31, 2021

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 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 rate 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, 2021

## Note 4 Cash and Cash Equivalents

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
Balances with Banks	1.68	26.64
<b>Total</b>	<b>1.68</b>	<b>26.64</b>

## Note 5 Bank Balance other than Cash and Cash Equivalents

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
Other Bank Balances		
- Fixed Deposit with Bank (security against bank guarantee)	0.13	0.13
Earmarked Balances with Banks		
- Unclaimed Equity Dividend	0.45	0.19
- Withheld Brokerage	0.09	0.14
<b>Total</b>	<b>0.67</b>	<b>0.46</b>

## Note 6 Trade Receivables\* (Considered good – Unsecured)

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
Investment Management Fee Receivable	76.13	57.03
Portfolio Management Fee and Other Advisory Services Fee Receivable	3.78	3.56
<b>Total</b>	<b>79.91</b>	<b>60.59</b>

## Note 7 Other Receivables\* (Considered good – Unsecured)

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
Related Parties (see note 27)	-	-
Other than Related Parties	3.85	3.99
<b>Total</b>	<b>3.85</b>	<b>3.99</b>

\* 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, 2021

## Note 8 Investments

₹ (in Crore)

Sr. No.	Particulars	As at March 31, 2021			As at March 31, 2020		
		Amortised Cost	At Fair Value Through Profit and Loss	Total	Amortised Cost	At Fair Value Through Profit and Loss	Total
		(1)	(2)	(3=1+2)	(1)	(2)	(3=1+2)
1	Mutual Funds	-	4,158.41	4,158.41	-	3,334.49	3,334.49
2	Debt Securities	490.13	32.01	522.14	494.55	31.50	526.05
3	Equity Instruments	-	0.63	0.63	-	0.36	0.36
4	Preference Shares	-	-	-	70.00	-	70.00
5	Alternative Investment Funds	-	61.43	61.43	-	42.41	42.41
6	Venture Capital Fund	-	10.64	10.64	-	11.20	11.20
	<b>Total Gross Investments (A)</b>	<b>490.13</b>	<b>4,263.12</b>	<b>4,753.25</b>	<b>564.55</b>	<b>3,419.96</b>	<b>3,984.51</b>
7	(i) Investments outside India	-	-	-	-	-	-
	(ii) Investments in India	490.13	4,263.12	4,753.25	564.55	3,419.96	3,984.51
	<b>Total (B)</b>	<b>490.13</b>	<b>4,263.12</b>	<b>4,753.25</b>	<b>564.55</b>	<b>3,419.96</b>	<b>3,984.51</b>
	Less: Allowance for Impairment (C)	-	-	-	40.00	-	40.00
	<b>Total Net Investments (D = A - C)</b>	<b>490.13</b>	<b>4,263.12</b>	<b>4,753.25</b>	<b>524.55</b>	<b>3,419.96</b>	<b>3,944.51</b>

## Note 9 Other Financial Assets

₹ (in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Interest accrued on Fixed Deposits	0.00	0.00
Interest accrued on Investments	18.88	15.92
Security Deposits	13.47	14.03
<b>Total</b>	<b>32.35</b>	<b>29.95</b>

## Note 10 Deferred Tax Assets (net) (see note 26)

₹ (in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Deferred Tax Asset	-	49.18
Deferred Tax Liability	-	(27.51)
<b>Total</b>	<b>-</b>	<b>21.67</b>

# Notes to financial statements

for the year ended March 31, 2021

## Note 11 Property, Plant and Equipment, Goodwill and other Intangible Assets

Particulars	Gross Block			Depreciation/Amortisation			Net Block	
	As at April 01, 2020	Additions	Deductions	As at April 01, 2020	For the year	Deductions	As at March 31, 2021	As at March 31, 2021
<b>Property, Plant and Equipment</b>								
Buildings	4.34	-	-	0.30	0.10	-	0.40	3.94
Furniture & Fixtures	2.48	0.16	0.04	1.41	0.43	0.04	1.80	0.80
Vehicles	-	0.50	-	-	0.01	-	0.01	0.49
Office Equipment	9.10	1.10	0.37	2.95	2.12	0.37	4.70	5.13
Computer Equipment	23.65	2.97	0.70	8.51	6.59	0.70	14.40	11.52
Electrical Installations	0.34	-	-	0.30	0.04	-	0.34	-
Improvement of Rented Premises	16.09	1.85	0.89	7.81	3.85	0.89	10.77	6.28
Right of Use Asset	200.74	44.06	33.69	94.07	34.74	26.40	102.41	108.70
<b>Total</b>	<b>256.74</b>	<b>50.64</b>	<b>35.69</b>	<b>115.35</b>	<b>47.88</b>	<b>28.40</b>	<b>134.83</b>	<b>136.86</b>
<b>Goodwill and Other Intangible Assets</b>								
Goodwill	6.04	-	-	-	-	-	-	6.04
Computer Software	20.15	8.57	-	10.87	7.53	-	18.40	10.32
<b>Total</b>	<b>26.19</b>	<b>8.57</b>	<b>-</b>	<b>10.87</b>	<b>7.53</b>	<b>-</b>	<b>18.40</b>	<b>16.36</b>

Particulars	Gross Block			Depreciation/Amortisation			Net Block	
	As at April 01, 2019	Additions	Deductions	As at April 01, 2019	For the year	Deductions	As at March 31, 2020	As at March 31, 2020
<b>Property, Plant and Equipment</b>								
Buildings	4.34	-	-	0.20	0.10	-	0.30	4.04
Furniture & Fixtures	2.22	0.47	0.21	0.92	0.70	0.21	1.41	1.07
Office Equipment	7.60	2.22	0.72	1.60	2.07	0.72	2.95	6.15
Computer Equipment	9.80	14.55	0.70	4.81	4.39	0.69	8.51	15.14
Electrical Installations	0.34	-	-	0.20	0.10	-	0.30	0.04
Improvement of Rented Premises	13.77	3.71	1.39	4.71	4.49	1.39	7.81	8.28
Right of Use Asset	194.89	26.97	21.12	79.97	32.86	18.76	94.07	106.67
<b>Total</b>	<b>232.96</b>	<b>47.92</b>	<b>24.14</b>	<b>92.41</b>	<b>44.71</b>	<b>21.77</b>	<b>115.55</b>	<b>141.39</b>
<b>Goodwill and other Intangible Assets</b>								
Goodwill	6.04	-	-	-	-	-	-	6.04
Computer Software	13.24	6.91	-	5.21	5.66	-	10.87	9.28
<b>Total</b>	<b>19.28</b>	<b>6.91</b>	<b>-</b>	<b>5.21</b>	<b>5.66</b>	<b>-</b>	<b>10.87</b>	<b>15.32</b>

### 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 3.75% (Previous Year 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, 2021

## Note 12 Other Non-Financial Assets (Considered good – Unsecured)

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
Capital Advances	0.47	0.58
Prepaid Expenses		
- Related Parties (see note 27)	13.78	2.04
- Others	13.57	16.00
	<b>27.35</b>	<b>18.04</b>
Goods & Services Tax Credit Receivable	7.97	8.11
Other Receivable – Others		
- Related Parties (see note 27)	0.70	0.04
- Others	0.81	0.34
	<b>1.51</b>	<b>0.38</b>
<b>Total</b>	<b>37.30</b>	<b>27.11</b>

## Note 13 Trade Payables

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
Outstanding dues of Small Enterprises and Micro Enterprises	-	-
Outstanding dues of creditors other than Small Enterprises and Micro Enterprises	42.11	46.73
<b>Total</b>	<b>42.11</b>	<b>46.73</b>

## Note 14 Other Financial Liabilities

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
Employee Benefits	61.02	52.43
Other Dues	6.88	8.07
Unclaimed Equity Dividend	0.45	0.19
Lease Liability	119.55	117.68
<b>Total</b>	<b>187.90</b>	<b>178.37</b>

## Note 15 Provisions

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
Provision for Employee Benefits (Compensated absences & Leave encashment)	7.88	7.25
<b>Total</b>	<b>7.88</b>	<b>7.25</b>

# Notes to financial statements

for the year ended March 31, 2021

## Note 16 Deferred Tax Liabilities (net) (see note 26)

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
Deferred Tax Asset	(41.57)	-
Deferred Tax Liability	73.70	-
<b>Total</b>	<b>32.13</b>	<b>-</b>

## Note 17 Other Non-Financial Liabilities

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
Statutory Dues	38.70	35.39
Employee Benefits	5.46	7.66
<b>Total</b>	<b>44.16</b>	<b>43.05</b>

## Note 18 Share Capital

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
<b>Authorised</b>		
60,00,00,000 Equity Shares of ₹ 5 each (Previous Year: 60,00,00,000 Equity Shares of ₹ 5 each)	300.00	300.00
5,00,00,000 Redeemable, Cumulative Non-Convertible Preference Shares of ₹ 10 each (Previous Year: 5,00,00,000 Redeemable, Cumulative Non-Convertible Preference Shares of ₹ 10 each)	50.00	50.00
<b>Total</b>	<b>350.00</b>	<b>350.00</b>
<b>Issued, Subscribed and Paid-up</b>		
21,29,54,202 Equity Shares of ₹ 5 each (Previous Year: 21,28,03,325 Equity Shares of ₹ 5 each), fully paid up	106.48	106.40
<b>Total</b>	<b>106.48</b>	<b>106.40</b>

### a) Movement in Equity Share Capital during the year:

Particulars	March 31, 2021		March 31, 2020	
	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)	21,28,03,325	106.40	21,25,73,210	106.29
Add: Shares issued during the year (face value of ₹ 5 each)	1,50,877	0.08	2,30,115	0.11
Shares outstanding at the end of the year (face value of ₹ 5 each)	<b>21,29,54,202</b>	<b>106.48</b>	<b>21,28,03,325</b>	<b>106.40</b>

### b) Terms/Rights attached to Equity Shares

- 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.
- The holders of equity shares are entitled to dividends, if any, proposed by the board of directors and approved by the Shareholders at the Annual General Meeting.
- In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of preferential amount. However, no such preferential amount exists currently. The distribution will be in proportion to the number of equity shares held by the Shareholders.



# Notes to financial statements

for the year ended March 31, 2021

c) 11,21,79,830 equity shares of ₹ 5 each (Previous Year: 11,21,79,830 equity shares of ₹ 5 each) are held by Housing Development Finance Corporation Limited (Holding Company).

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

Name of the Shareholder	As at March 31, 2021		As at March 31, 2020	
	No. of Equity Shares (Face Value ₹ 5)	% of Share Capital	No. of Equity Shares (Face Value ₹ 5)	% of Share Capital
Housing Development Finance Corporation Limited (Holding Company)	11,21,79,830	52.68	11,21,79,830	52.72
Standard Life Investments Limited	4,52,28,305	21.24	5,72,28,305	26.89

e) 16,74,998 equity shares of ₹ 5 each are reserved for issuance towards outstanding employee stock options.

f) Nil equity shares (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.

## 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. The amounts recorded in Share options outstanding account are transferred to securities premium upon exercise of stock options by the employees.

### 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.

# Notes to financial statements

for the year ended March 31, 2021

## Note 20 Asset Management Services

₹ (in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Investment Management Fee	1,839.51	1,965.28
Portfolio Management Fee and Other Advisory Services Fee	13.02	37.97
<b>Total</b>	<b>1,852.53</b>	<b>2,003.25</b>

## Note 21 Other Income

₹ (in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Income from Investments</b>		
Interest Income from Investments		
- On Financial Assets measured at Amortised Cost	31.43	31.84
- 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	0.00	0.72
Net gain on Financial Instruments		
- On Financial Assets measured at Amortised Cost	0.00	-
- On Financial Assets measured at Fair Value Through Profit and Loss	308.34	-
Dividend Income from Investments		
- On Financial Assets measured at Amortised Cost	0.23	2.45
- On Financial Assets measured at Fair Value Through Profit and Loss	0.34	59.50
<b>Total Income from Investments (A)</b>	<b>340.34</b>	<b>119.80</b>
<b>Others</b>		
Net gain/(loss) on derecognition of Property, Plant and Equipment	0.04	0.04
Net gain/(loss) on Foreign Exchange Transactions	(0.18)	0.88
Other Interest Income	1.15	1.42
Miscellaneous Income	7.86	18.04
<b>Total Others (B)</b>	<b>8.87</b>	<b>20.38</b>
<b>Total Other Income (A+B)</b>	<b>349.21</b>	<b>140.18</b>

## Note 22 Employee Benefits Expenses

₹ (in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries, Allowances and Bonus	207.97	202.00
Contribution to Provident and Other Funds	10.43	9.71
Share Based Payments to Employees*	7.35	-
Staff Welfare and Training Expenses	1.00	3.00
<b>Total</b>	<b>226.75</b>	<b>214.71</b>

\* Accounting for equity settled share based payment transaction (ESOPs) at fair value increases the non-cash component of Employee Benefits Expenses and is reflected in Share Options Outstanding Account under Other Equity. This balance of Share Options Outstanding Account is transferred to Securities Premium as and when the stock options are exercised by the employees and hence neutral to Equity of the Company.



# Notes to financial statements

for the year ended March 31, 2021

## Note 23 Other Expenses

₹ (in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Mutual Fund and New Fund Offer Expenses	4.02	5.74
Advertisement, Publicity and Business Promotion	14.99	26.88
Rent	0.36	0.29
Rates and Taxes	0.49	0.37
Electricity Charges	4.05	5.49
Office Cleaning and Security Cost	16.76	19.82
Repair and Maintenance	4.91	6.64
Communication Expenses	6.64	6.46
Printing, Stationery and Courier	7.90	12.50
Directors' Sitting Fees, Commission, allowances and expenses	3.56	3.63
<b>Auditors Remuneration:</b>		
Audit Fee	0.24	0.21
Tax Audit Fee	0.03	0.03
Taxation Matters	0.16	0.22
Reimbursement of Expenses	0.01	0.01
Other Services	0.17	0.16
	<b>0.61</b>	<b>0.63</b>
Legal and Professional Fees	5.72	13.74
Insurance Expenses	3.95	4.01
Travel and Conveyance	2.07	7.22
Subscription and Membership Fees	8.50	7.99
Outsourced Services Cost	22.23	25.25
Donations	0.02	0.04
Corporate Social Responsibility expense as per Section 135 (5) of the Companies Act, 2013 (see note 33)	26.99	20.90
Net loss on Financial Instruments		
- On Financial Assets classified at Fair Value Through Profit and Loss	-	3.40
Software Expenses	15.95	10.50
KYC Expenses related to Mutual Fund Investors	2.58	4.15
Miscellaneous Expenses	3.69	9.78
<b>Total</b>	<b>155.99</b>	<b>195.43</b>

## Note 24 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:

₹ (in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Employer's contribution to Provident Fund	6.09	6.34

# Notes to financial statements

for the year ended March 31, 2021

## 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, 2021	As at March 31, 2020
Obligation as at beginning of the year	36.14	28.76
Current service cost	3.48	2.74
Interest cost	2.47	2.18
Benefits paid	(4.96)	(1.25)
Actuarial (gains)/losses on obligation – due to change in demographic assumptions	0.14	(0.70)
Actuarial (gains)/losses on obligation – due to change in financial assumptions	(0.01)	3.64
Actuarial (gains)/losses on obligation – due to experience adjustments	(0.06)	0.77
Obligation as at the end of the year	37.20	36.14

### (ii) Change in the Fair Value of Plan Assets

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
Fair Value of Plan Assets at the beginning of the year	29.05	25.51
Expected return on plan assets	1.98	1.94
Contributions by the Employer	7.09	3.25
Benefit Paid from the Fund	(4.96)	(1.25)
Actuarial gain/(loss) on plan assets	(0.85)	(0.40)
Fair Value of Plan Assets at the end of the year	32.31	29.05

### (iii) Actual Return on Plan Assets

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
Expected return on Plan Assets	1.98	1.94
Actuarial gain/(loss) on Plan Assets	(0.85)	(0.40)
Actual Return on Plan Assets	1.13	1.54





# Notes to financial statements

for the year ended March 31, 2021

## (iv) Amount recognised in the Balance Sheet

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
Present Value of defined benefit obligation	(37.20)	(36.14)
Fair Value of Plan Assets	32.31	29.05
Funded status [surplus/(deficit)]	(4.89)	(7.09)
Net Liability recognised in the Balance Sheet	(4.89)	(7.09)

## (v) Expenses recognised in the Statement of Profit and Loss

Particulars	₹ (in Crore)	
	For the year ended March 31, 2021	For the year ended March 31, 2020
Current service cost	3.48	2.74
Interest Cost	2.47	2.18
Expected Return on Plan Assets	(1.98)	(1.94)
Expenses recognised in the Statement of Profit and Loss	3.97	2.98

## (vi) Expenses recognised in Other Comprehensive Income (OCI)

Particulars	₹ (in Crore)	
	For the year ended March 31, 2021	For the year ended March 31, 2020
Actuarial (gains)/losses on Obligation	0.07	3.71
Actuarial (gains)/losses on Plan Assets	0.85	0.40
Net (income)/expense for the year recognised in OCI	0.92	4.11

## (vii) Amount Recognised in the Balance Sheet

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
Liability at the end of the year	37.20	36.14
Fair Value of Plan Assets at the end of the year	(32.31)	(29.05)
Amount recognised in the Balance Sheet as Liability	4.89	7.09

## (viii) Balance sheet reconciliation

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
Net Liability as at the beginning of the year	7.09	3.25
Expenses recognised in the Statement of Profit and Loss	3.97	2.98
Expenses/(Income) recognised in OCI	0.92	4.11
Contributions by the Employer	(7.09)	(3.25)
Net Liability/(Asset) recognised in Balance Sheet	4.89	7.09

# Notes to financial statements

for the year ended March 31, 2021

## (ix) Investment Pattern

Particulars	% Invested	
	As at March 31, 2021	As at March 31, 2020
Money Market Instruments and Public Deposits	100	100

## (x) Actuarial Assumptions

Particulars	As at March 31, 2021	As at March 31, 2020
Expected Return on Plan Assets	6.57%	6.83%
Rate of Discounting	6.57%	6.83%
Rate of Salary Increase	5.00% p.a. for the next 1 year, 7.00% p.a. thereafter, starting from the 2 <sup>nd</sup> year	2.00% p.a. for the next 1 year, 7.00% p.a. thereafter, starting from the 2 <sup>nd</sup> year
Rate of Employee Turnover	7.00% p.a. for the next 1 year, 10.00% p.a. thereafter, starting from the 2 <sup>nd</sup> year	For service 4 years and below, 13.83% p.a, For service 5 years and above, 4.79% p.a.
Mortality Rate During Employment	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)

(xi) The Company generally makes annual contributions to the plan based on the actuarial valuation of 'amount recognised in the Balance Sheet as Liability at the year end'.

## (xii) The expected contributions to the plan for the next annual reporting period

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
The expected contributions to the plan for the next annual reporting period	4.49	4.39

## (xiii) Maturity Analysis of the benefit payments

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
Projected benefits payable in future years from the date of reporting		
1 <sup>st</sup> Following year	2.55	4.41
2 <sup>nd</sup> Following year	3.57	2.10
3 <sup>rd</sup> Following year	3.69	1.70
4 <sup>th</sup> Following year	3.44	1.91
5 <sup>th</sup> Following year	3.94	1.80
Sum of years 6 to 10	18.00	16.49
Sum of years 11 and above	27.99	48.14

The Weighted average duration of the projected benefit obligation is 8 years (March 31, 2020: 10 years).



# Notes to financial statements

for the year ended March 31, 2021

## (xiv) Sensitivity Analysis

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
Projected Benefit Obligation on Current Assumptions	37.20	36.14
Delta Effect of +1% Change in Rate of Discounting	(2.33)	(2.95)
Delta Effect of -1% Change in Rate of Discounting	2.63	3.43
Delta Effect of +1% Change in Rate of Salary Increase	2.60	3.40
Delta Effect of -1% Change in Rate of Salary Increase	(2.35)	(2.98)
Delta Effect of +1% Change in Rate of Employee Turnover	(0.12)	(0.09)
Delta Effect of -1% Change in Rate of Employee Turnover	0.13	0.10

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.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

### Risks associated with Defined Benefit Plan:

#### (i) Interest Rate Risk

A fall in the discount rate which is linked to the G-Sec rate will increase the present value of the liability requiring higher provision. A fall in the discount rate generally increases the mark to market value of the assets depending on the duration of asset.

#### (ii) Salary Risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of members. As such, an increase in the salary of the members more than assumed level will increase the plan's liability.

#### (iii) Investment Risk

The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds. If the return on plan asset is below this rate, it will create a plan deficit. Currently, for the plan in India, it has a relatively balanced mix of investments in 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.

# Notes to financial statements

for the year ended March 31, 2021

## (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 less as insurance companies have to follow stringent regulatory guidelines which mitigate risk.

During the year, there were no plan amendments, curtailments and settlements.

## Note 25 Share based payments

### Accounting for Employee Share Based Payments

Under Employees Stock Option Scheme 2020 (ESOS 2020), the Company had on February 22, 2021 granted 11,45,000 stock options, representing 11,45,000 equity shares of ₹ 5/- each to few employees of the Company. The said stock options have been granted at the market price as defined in SEBI (Share Based Employees Benefits) Regulations, 2014. Accordingly, the stock options have been granted at ₹ 2,934.25 per option, being the latest available closing price of the shares of the Company on National Stock Exchange of India Limited, on February 19, 2021 being the previous trading day immediately preceding the date on which Grant of Options was approved by the Nomination & Remuneration Committee of the Board of Directors of the Company ('Nomination & Remuneration Committee').

In terms of ESOS 2020, the options shall vest in three tranches. Each of these tranches consisting of 1/3 of the options granted shall vest on the completion of the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> year from the date of the grant respectively. Any fractional residue shall be settled in the 3<sup>rd</sup> tranche. The options can be exercised over a period of five years from the date of respective vesting.

Under Employees Stock Option Scheme 2017 – Series II (ESOS 2017 – Series II), the Company had on January 17, 2018 granted 6,000 stock options at an exercise price of ₹ 7,936/- per option, representing 6,000 equity shares of ₹ 10/- each to few employees of the Company. The fair value of the Company's underlying equity share was determined in accordance with the pricing formula approved by the Nomination & Remuneration Committee i.e. based on the Price Earning Multiple method and the Assets Under Management (AUM) method.

In terms of ESOS 2017 – Series II, the options vest over a period of 1-2 years from the date of grant. The options can be exercised over a period of five years from the date of vesting.

Under Employees Stock Option Scheme 2017 – Series I (ESOS 2017 – Series I), the Company had on July 28, 2017 granted 1,58,875 stock options at an exercise price of ₹ 5,353/- per option, representing 1,58,875 equity shares of ₹ 10/- each to few employees & directors of the Company. The fair value of the Company's underlying equity share was determined in accordance with the pricing formula approved by the Nomination & Remuneration Committee i.e. based on the Price Earning Multiple method and the Assets Under Management (AUM) method.

In terms of ESOS 2017 – Series I, the options vest over a period of 1-2 years from the date of grant. The options can be exercised over a period of five years from the date of vesting.

Under Employees Stock Option Scheme 2015 – Series I (ESOS 2015 – Series I), the Company had on December 10, 2015 granted 10,00,000 stock options at an exercise price of ₹ 3,944/- per option, representing 10,00,000 equity shares of ₹ 10/- each to few employees & directors of the Company. The fair value of the Company's underlying equity share was determined in accordance with the pricing formula approved by the Nomination & Remuneration Committee i.e. based on the Price Earning Multiple method and the Assets Under Management (AUM) method.

In terms of ESOS 2015 – Series I, the options vest over a period of 1-2 years from the date of grant. The options can be exercised over a period of three years from the date of vesting.

Pursuant to the terms of respective Employees Stock Option Schemes (ESOS), in case of a corporate action like bonus shares, rights issue, buyback of shares, split of shares, reduction of capital etc., the number of options outstanding as at the date of the corporate action and the exercise price under all the relevant ESOS shall stand modified accordingly, so as to ensure that the paid-up value of the total shares that can be issued under them remains unchanged. Accordingly, the Nomination



# Notes to financial statements

for the year ended March 31, 2021

and Remuneration Committee of the Company has resolved, vide its circular resolution passed in February 2018, to make appropriate adjustments to the outstanding options and now each option represents one equity share of ₹ 5/- each.

## Comparison of exercise price per option:

Name of the Series	₹	
	Pre corporate action	Post corporate action
ESOS 2015 Series I	3,944.00	493.00
ESOS 2017 Series I	5,353.00	669.13
ESOS 2017 Series II	7,936.00	992.00

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

The number of options vested during the year were Nil (Previous Year: Nil).

The number of options vested and forfeited/expired during the year were Nil (Previous Year: Nil).

## Movement in the options under ESOS 2015:

Particulars	No. of Options	
	For the year ended March 31, 2021	For the year ended March 31, 2020
	ESOS 2015	ESOS 2015
	Series I	Series I
Outstanding at the beginning of the year*	80,000	80,000
Granted during the year*	Nil	Nil
Exercised during the year*	Nil	Nil
Forfeited during the year*	Nil	Nil
Outstanding at the end of the year*	80,000	80,000
Exercisable at the end of the year*	80,000	80,000
<b>For options outstanding at the end of the year:</b>		
Exercise price per option (₹)	493.00	493.00
Weighted average remaining contractual life (no. of years)	0.69	1.69

## Movement in the options under ESOS 2017:

Particulars	No. of Options			
	For the year ended March 31, 2021		For the year ended March 31, 2020	
	ESOS 2017		ESOS 2017	
	Series I	Series II	Series I	Series II
Outstanding at the beginning of the year*	5,56,875	44,000	7,82,990	48,000
Granted during the year*	Nil	Nil	Nil	Nil
Exercised during the year*	1,39,777	11,100	2,26,115	4,000
Forfeited during the year*	Nil	Nil	Nil	Nil
Outstanding at the end of the year*	4,17,098	32,900	5,56,875	44,000
Exercisable at the end of the year*	4,17,098	32,900	5,56,875	44,000
<b>For options outstanding at the end of the year:</b>				
Exercise price per option (₹)	669.13	992.00	669.13	992.00
Weighted average remaining contractual life (no. of years)	2.32	2.80	3.32	3.80

# Notes to financial statements

for the year ended March 31, 2021

## Movement in the options under ESOS 2020:

Particulars	No. of Options
	For the year ended March 31, 2021
	Grant Date February 22, 2021
Outstanding at the beginning of the year*	Nil
Granted during the year*	11,45,000
Exercised during the year*	Nil
Forfeited during the year*	Nil
Outstanding at the end of the year*	11,45,000
Exercisable at the end of the year*	Nil
<b>For options outstanding at the end of the year:</b>	
Exercise price per option (₹)	2,934.25
Weighted average remaining contractual life (no. of years)	6.90

\* Since all the options were granted at the same exercise price per option under the respective Series/Grant, the weighted average exercise price per option for all these groups under the respective Series/Grant is the same.

**The weighted average share price for options exercised during the year under various Series'/Grants was ₹ 2,408 (Previous Year: ₹ 2,829)**

### 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 2017 – Series I, ESOS 2017 – Series II and ESOS 2020 as on the date of grant were:

Particulars	ESOS 2015–Series I	ESOS 2017–Series I	ESOS 2017–Series II
Date of grant	December 10, 2015	July 28, 2017	January 17, 2018
Risk-free interest rate	7.18% p.a.	6.66% p.a.	6.97% p.a.
Expected average life	2.5 Years	3.5 Years	3.5 Years
Expected volatility	0%	0%	40.67%
Dividend yield	1.77% p.a.	1.86% p.a.	1.86% p.a.
Fair value of the option	₹ 478	₹ 777	₹ 2,726
Fair value of the option after corporate action	₹ 60	₹ 97	₹ 341

Particulars	ESOS 2020 (Grant Date February 22, 2021)
Date of grant	February 22, 2021
Risk-free interest rate	5.04% - 5.66 % p.a.
Expected average life	3.5 - 5.5 Years
Expected volatility	36.10% - 37.08%
Dividend yield	0.84% p.a.
Weighted Average Fair value of the option	₹ 1,053

Volatility is a measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of volatility used in the Black-Scholes Model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time.





# Notes to financial statements

for the year ended March 31, 2021

As on the date of grant, in case of schemes ESOS 2015–Series I and ESOS 2017–Series I, the Company being an unlisted Company and in the absence of listed comparable companies, volatility had been considered to be NIL.

As on the date of grant in case of ESOS 2017–Series II, the sector had only one listed stock which was listed during that year. The volatility derived from this stock had been annualised for the purpose of this valuation.

As on the date of grant in case of ESOS 2020 (Grant Date February 22, 2021), the trading history of the Company and its comparable Company listed on the Stock exchange are less than the life of the option. Hence, Nifty Financial Services Index is also considered for deriving the volatility.

## Details of modifications in terms and conditions of ESOS:

No modifications were made in the terms and conditions of ESOS during the current year. The Nomination & Remuneration Committee at its meeting held on July 20, 2016 had approved few modifications, viz; change in nomenclature of Employees Stock Option Scheme 2015 (ESOS 2015) to Employees Stock Option Scheme 2015 – Series I (ESOS 2015 – Series I) and change in the period over which, the options granted under ESOS 2015 – Series I can be exercised from the date of their respective vesting.

By virtue of the said modifications, the options granted under ESOS 2015 – Series I can now be exercised over a period of five years from the date of respective vesting. There was no change in any other parameters of the scheme.

The options thus modified have been fair valued as at July 20, 2016, being the modification date. The key assumptions considered in the pricing model for calculating fair value under ESOS 2015 – Series I as on the date of modification were:

Particulars	ESOS 2015 – Series I	
	Original Terms	Modified Terms
Risk-free interest rate	6.60% p.a.	6.70% p.a.
Expected average life	1.89 Years	2.89 Years
Expected volatility	0%	0%
Dividend yield	1.80% p.a.	1.80% p.a.
Fair value of the option	₹ 511	₹ 672
Fair value of the option after corporate action	₹ 64	₹ 84

The incremental share based compensation determined under fair value method amounts to ₹ 161 (₹ 20 post corporate action) per option under ESOS 2015 – Series I. The incremental fair value granted is taken into consideration for the purpose of computing the net income and earnings per equity share.

## Note 26 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, 2021	For the year ended March 31, 2020
<b>Current income tax</b>	369.39	410.52
	<b>369.39</b>	<b>410.52</b>
<b>Deferred tax (Income)/expense</b>		
Origination and reversal of temporary differences	53.80	(19.88)
	<b>53.80</b>	<b>(19.88)</b>
<b>Income Tax expense for the year</b>	<b>423.19</b>	<b>390.64</b>

# Notes to financial statements

for the year ended March 31, 2021

## (b) Tax on amounts recognised in Other Comprehensive Income

Particulars	₹ (in Crore)	
	Tax (expense)/benefit	
	For the year ended March 31, 2021	For the year ended March 31, 2020
Remeasurement of the defined benefit plans	0.23	1.03
<b>Total</b>	<b>0.23</b>	<b>1.03</b>

## (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, 2021	For the year ended March 31, 2020
<b>Profit before tax</b>	1,748.95	1,653.05
Company's domestic tax rate	25.17%	25.17%
Tax using the Company's domestic tax rate	440.18	416.07
<b>Tax effect of/on:</b>		
Net expenses that are not deductible in determining taxable profit	8.54	(0.14)
Items which are taxed at different rates	(17.81)	(8.71)
Incomes which are exempt from tax	(7.91)	(23.61)
Expenses for which weighted deduction under tax laws is allowed	-	2.63
Others	0.19	0.26
Effect of changes in income tax rate on deferred tax balances	-	4.14
<b>Total</b>	<b>(16.99)</b>	<b>(25.43)</b>
<b>Income Tax expense for the year</b>	<b>423.19</b>	<b>390.64</b>

## (d) Effective Tax Rate

Particulars	₹ (in Crore)	
	For the year ended March 31, 2021	For the year ended March 31, 2020
Effective Tax Rate (%)	24.20	23.63

## (e) Significant components and movement in deferred tax assets and liabilities:

Particulars	₹ (in Crore)		
	Balance as at April 01, 2020	Expense/(Income) recognised	Balance as at March 31, 2021
<b>Deferred Tax Assets</b>			
- Property, Plant and Equipment & Other Intangible Assets (excluding ROU)	7.69	(0.57)	8.26
- Lease Liabilities	29.62	(0.47)	30.09
- Provision for Employee Benefits	1.82	(0.16)	1.98
- Others	1.27	0.03	1.24
<b>Total Deferred Tax Assets</b>	<b>40.40</b>	<b>(1.17)</b>	<b>41.57</b>
<b>Deferred Tax Liabilities</b>			
- Right of use asset	26.85	0.51	27.36
- Prepaid Employee Benefits	-	3.01	3.01
- Fair value gains/losses and impairment on Investments	(8.78)	51.52	42.74
- Others	0.66	(0.07)	0.59
<b>Total Deferred Tax Liabilities</b>	<b>18.73</b>	<b>54.97</b>	<b>73.70</b>
<b>Net Deferred Tax Assets/(Liabilities)</b>	<b>21.67</b>	<b>53.80</b>	<b>(32.13)</b>



# Notes to financial statements

for the year ended March 31, 2021

₹ (in Crore)

Particulars	Balance as at April 01, 2019	Expense/(Income) recognised	Balance as at March 31, 2020
<b>Deferred Tax Assets</b>			
- 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
- Fair value gains/losses and impairment on Investments	(13.01)	(21.79)	8.78
- Others	1.46	0.19	1.27
<b>Total Deferred Tax Assets</b>	<b>42.94</b>	<b>(6.24)</b>	<b>49.18</b>
<b>Deferred Tax Liabilities</b>			
- Right Of Use Asset *	40.16	(13.31)	26.85
- Others *	0.99	(0.33)	0.66
<b>Total Deferred Tax Liabilities</b>	<b>41.15</b>	<b>(13.64)</b>	<b>27.51</b>
<b>Net Deferred Tax Assets/(Liabilities)</b>	<b>1.79</b>	<b>(19.88)</b>	<b>21.67</b>

\* Effective April 01, 2019, the Company had 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 had been taken to retained earnings on the date of initial application i.e. April 01, 2019.

## Note:

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set-off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Significant management judgement is required in determining provision for income tax, deferred tax assets and liabilities and recoverability of deferred tax assets. The recoverability of deferred tax assets is based on estimates of taxable income and the period over which deferred tax assets will be recovered. Any changes in future taxable income would impact the recoverability of deferred tax assets.

# Notes to financial statements

for the year ended March 31, 2021

## Note 27 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
5	Key Managerial Personnel (KMP)	Deepak S Parekh Milind Barve (up to February 15, 2021) Navneet Munot (from February 16, 2021) Keki Mistry Hoshang Billimoria (up to November 29, 2019) Dhruv Kaji Jairaj Purandare Sanjay Bhandarkar Parag Shah Vijay Merchant (up to July 20, 2019) Dr. Deepak Phatak (up to 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 Sr. No. 5)	V Srinivasa Rangan Jamshed Jiji Irani
7	Relatives of Company's Key Managerial Personnel and Holding Company's Key Managerial Personnel	Smita Deepak Parekh Aditya Deepak Parekh Harsha Shantilal Parekh Arnaaz Keki Mistry Rita Vijay Merchant Bharat Karnad Ashok Sud V Jayam S Anuradha Abinaya Rangan

During the year ended March 31, 2021, Mr. Milind Barve's term as the Managing Director came to an end on February 15, 2021 and he ceased to be a Director of the Company. Mr. Navneet Munot who was appointed as a successor to Mr. Barve, joined the Company as the Managing Director & Chief Executive Officer effective February 16, 2021.



# Notes to financial statements

for the year ended March 31, 2021

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	₹ (in Crore)							
	Holding Company		Fellow Subsidiaries		Investor with a Significant Influence		Other Related Parties	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
<b>Income</b>								
Management Fees	-	-	-	-	0.45	1.31	-	-
Interest on Deposits	-	-	-	-	-	-	-	0.72
Insurance Claim received	-	-	-	-	-	-	-	-
<b>Expense</b>								
Lease Rent	12.28	12.33	-	-	-	-	-	-
Bank Charges	-	-	0.00	-	-	-	0.00	0.00
Fees and Commission	-	-	-	0.00	-	-	0.07	5.60
Technology Support Cost	2.21	2.50	-	-	-	-	-	-
Advertisement Expenses	-	-	-	-	-	-	-	-
Administration & Other Expenses	1.67	2.16	-	-	-	-	-	-
Insurance Premium	-	-	2.15	2.03	-	-	-	-
Custodian Charges	-	-	-	-	-	-	0.05	0.01
<b>Other Transactions</b>								
Equity Dividend	314.10	134.62	-	-	126.64	76.38	-	-
Contribution towards Gratuity Fund	-	-	-	-	-	-	7.09	3.25
Insurance Premium for assets given on Finance Lease	-	-	-	0.01	-	-	-	-
<b>Asset</b>								
Bank Balances	-	-	-	-	-	-	2.18	26.91
Fixed Deposits	-	-	-	-	-	-	-	-
Interest accrued on Fixed Deposit	-	-	-	-	-	-	-	-
Account Receivable	-	-	0.70	0.04	-	0.28	-	-
Prepaid Commission	-	-	-	-	-	-	0.00	0.19
Prepaid Insurance Premium	-	-	1.82	1.85	-	-	-	-
<b>Liability</b>								
Account Payable	0.71	3.65	-	-	-	-	0.11	0.28

## Notes:

- (i) During the FY 2019-20, HDFC AMC had 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.
- (ii) The Company provides the necessary operating and secretarial services, etc. to HDFC Trustee Company Limited to meet the operating and compliance requirements of the Company in line with SEBI (Mutual Funds) Regulations, 1996. The Company does not charge any amount in line with practice followed by the mutual fund industry.

# Notes to financial statements

for the year ended March 31, 2021

## (b) Details of remuneration paid to Company's KMPs

Particulars	₹ (in Crore)	
	For the year ended March 31, 2021	For the year ended March 31, 2020
Short-term employee benefits #	9.94	6.51
Post employment benefits	0.27	0.27
Other long-term benefits	0.19	0.06
Share based payment	5.13	-
Other Benefits	0.01	0.03
Directors Sitting Fees	1.76	1.73
Commission to Non-executive Directors *	1.80	1.90
<b>Total Remuneration</b>	<b>19.10</b>	<b>10.50</b>

# An amount of ₹ 12.46 Crore was paid to the incoming Managing Director as one time payment and the same is being amortised as per the terms of the contract. Out of the same, ₹ 0.50 Crore forms part of Short-term employee benefits above and the balance unamortised amount of ₹ 11.96 Crore as at March 31, 2021 is booked as prepaid under Other Non-Financial Assets.

\* Commission is approved by the Board of Directors within the limit as approved by the shareholders of the Company and will be paid post adoption of annual accounts by the shareholders.

## (c) Details of dividend paid to Company's KMPs

Particulars	₹ (in Crore)	
	For the year ended March 31, 2021	For the year ended March 31, 2020
Dividend on Equity Shares	4.31	1.84

## (d) Details of dividend paid to relatives of Company's KMPs, Holding Company's KMPs and relatives of Holding Company's KMPs

Particulars	₹ (in Crore)	
	For the year ended March 31, 2021	For the year ended March 31, 2020
Dividend on Equity Shares	0.01	0.00

## Note 28 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:

Particulars	₹ (in Crore except equity share data)	
	For the year ended March 31, 2021	For the year ended March 31, 2020
Profit after tax for the year	1,325.76	1,262.41
Weighted Average equity shares outstanding during the year	21,28,84,193	21,26,31,323



# Notes to financial statements

for the year ended March 31, 2021

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

Particulars	₹	
	For the year ended March 31, 2021	For the year ended March 31, 2020
Nominal value per share	5.00	5.00
Basic earnings per share	62.28	59.37
Effect of potential equity shares for stock options (per share)	(0.12)	(0.13)
Diluted earnings per share	62.16	59.24

Particulars	₹	
	For the year ended March 31, 2021	For the year ended March 31, 2020
Weighted average number of equity shares used in computing basic earnings per equity share	21,28,84,193	21,26,31,323
Effect of potential equity shares for stock options outstanding	3,95,477	5,01,771
Weighted average number of equity shares used in computing diluted earnings per equity share	21,32,79,670	21,31,33,094
Weighted average number of anti dilutive options not considered in computing diluted earnings per equity share	59,955	-

## Note 29 Leases

### A. Implementation of Ind AS 116

This note explains the impact of the adoption of Ind AS 116 Leases on the financial statements in the year ended March 31, 2020.

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 was in accordance with the transitional provisions of Ind AS 116.

Effective April 01, 2019, the Company had 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 had been taken to retained earnings on the date of initial application i.e. April 01, 2019.

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 was not material to the profit and earnings per share for the year ended March 31, 2020. The current accounting policy is disclosed in Note 3.9 Leases.

#### (i) Practical expedients applied

The Company had 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 had also used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
- 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.



# Notes to financial statements

for the year ended March 31, 2021

## (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	<b>0.20</b>	
Discounted Lease liabilities recognised as at March 31, 2019	2.53	
Change in estimate of lease term *	122.70	
<b>Lease liability recognised at April 01, 2019</b>	<b>125.23</b>	

\* 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

Particulars	₹ (in Crore)	
	As At March 31, 2021	As At March 31, 2020
(a) Right of Use assets (net) (Property Plant and Equipment)	108.70	106.67
(b) Lease liabilities		
Current	32.02	30.55
Non-current	87.53	87.13
<b>Total Lease liabilities</b>	<b>119.55</b>	<b>117.68</b>

Particulars	₹ (in Crore)	
	For the year ended March 31, 2021	For the year ended March 31, 2020
(c) Additions to the Right of Use assets	44.06	26.97

## (ii) Amounts recognised in the Statement of Profit and Loss

Particulars	₹ (in Crore)	
	For the year ended March 31, 2021	For the year ended March 31, 2020
(a) Depreciation charge for Right of Use assets	34.74	32.86
(b) Interest expense (included in finance cost)	8.95	8.98
(c) Expense relating to short-term leases	0.35	0.28



# Notes to financial statements

for the year ended March 31, 2021

## (iii) Cash Flows

₹ (in Crore)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
The total cash outflow of leases	42.07	39.41

## (iv) Future Commitments

₹ (in Crore)

Particulars	As At March 31, 2021	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)

Particulars	As At March 31, 2021	As At March 31, 2020
Less than 1 year	39.92	38.20
More than 1 year	105.46	104.04
<b>Total</b>	<b>145.38</b>	<b>142.24</b>

(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 certain employees which have been treated as finance leases.

₹ (in Crore)

Quantitative Disclosures	For the year ended March 31, 2021	For the year ended March 31, 2020
Selling profit/(loss)	0.16	-
Finance income on the net investment in the lease	0.13	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)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Lease receivables as at the beginning of the year	1.71	1.79
Add: Finance income on the net investment in the lease	0.13	0.15
Add: New leases entered during the year	0.82	0.96
Less: Lease payments received during the year	1.08	1.19
<b>Lease receivables as at the end of the year</b>	<b>1.58</b>	<b>1.71</b>

# Notes to financial statements

for the year ended March 31, 2021

### (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, 2021	As at March 31, 2020
Particulars	Minimum Lease payments receivables	Minimum Lease payments receivables
Less than one year	0.74	0.92
One to two years	0.52	0.54
Two to three years	0.36	0.31
Three to four years	0.16	0.14
Four to five years	-	-
More than five years	-	-
<b>Total undiscounted lease payments receivable</b>	<b>1.78</b>	<b>1.91</b>
Less: unearned finance income	0.20	0.20
<b>Present value of lease receivables *</b>	<b>1.58</b>	<b>1.71</b>

\* Present Value of Rentals represent the Current Future Outstanding Principal

### (iv) Risk Management Framework for finance leases

The table represents categories of collaterals available against the finance lease exposures:

₹ (in Crore)			
Particulars	Collateral available	As at March 31, 2021	As at March 31, 2020
Finance lease receivables	Hypothecation of the underlying car financed	1.58	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.

## Note 30 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.



# Notes to financial statements

for the year ended March 31, 2021

## (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, 2021	For the year ended March 31, 2020
Within India	1,842.19	1,969.50
Outside India	10.34	33.75
<b>Total</b>	<b>1,852.53</b>	<b>2,003.25</b>

(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, 2021	For the year ended March 31, 2020
Revenue from HDFC Mutual Fund	1,839.51	1,965.28

## Note 31 Contingent Liabilities and Commitments

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
(a) Contingent liabilities not provided for:		
Disputed Income Tax demand	5.50	5.50
(b) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	29.96	42.44

## Note 32 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)	
	As at March 31, 2021	As at March 31, 2020
Principal amount remaining unpaid to any supplier as at the year end	Nil	Nil
Interest due thereon	Nil	Nil
Amount of interest paid by the Company in terms of Section 16 of the MSMEDA, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	Nil	Nil
Amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMEDA	Nil	Nil
Amount of interest accrued and remaining unpaid at the end of the accounting year	Nil	Nil

Dues to Micro, Small and Medium Enterprises have been determined on the basis of information collected by the Company.

# Notes to financial statements

for the year ended March 31, 2021

## Note 33 Corporate Social Responsibility (CSR) Expense

### Disclosures for the year ended March 31, 2021

The gross amount required to be spent by the Company during the year towards Corporate Social Responsibility as per Section 135(5) of the Companies Act, 2013 is as follows:

		₹ (in Crore)
Particulars		For the year ended March 31, 2021
(i)	Gross amount required to be spent by the Company during the year	26.99
(ii)	Amount approved by the Board to be spent during the year	28.06

### (iii) Amount spent

		₹ (in Crore)
Particulars		For the year ended March 31, 2021
	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 (Including ₹16.23 Crore accrued towards Ongoing CSR Projects)	26.99
	<b>Total</b>	<b>26.99</b>

### (iv) Details of CSR Activities

#### a) Details of Ongoing CSR Projects

Organisation	Purpose
Indian Cancer Society (for Indian Cancer Cure Fund Project)	To provide financial aid for treatment to underprivileged and low income patients diagnosed with any curable/ early detected cancers through the empanelled hospitals as per the proposal submitted.
Parivaar Education Society	To provide nutritional and education aid to children by establishing Seva Kutirs in the villages of Madhya Pradesh. The Funds would be utilised towards operation of 20 Seva Kutirs.
The Bombay Scottish Orphanage Society	Restoration and Refurbishment of the premises of Bombay Scottish School, Mahim for restoration of heritage site and to improve the infrastructure of the school which would facilitate better teaching facilities and atmosphere and also considering the safety of the students as the building structure is very old.

#### b) Details of Other than Ongoing CSR Projects

Organisation	Purpose
Indian Cancer Society (for Indian Cancer Cure Fund Project)	To provide financial aid for treatment to underprivileged and low income patients diagnosed with any curable/ early detected cancers through the empanelled hospitals.
Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM- CARES Fund)	To provide relief to those affected by any kind of emergency or distress situation such as that posed by COVID-19 pandemic.



# Notes to financial statements

for the year ended March 31, 2021

₹ (in Crore)

c) Particulars	For the year ended March 31, 2021
Opening Balance:	
- With Company	-
- In Separate CSR Unspent A/c	-
Amount required to be spent during the year as per Section 135 (5) of the Companies Act, 2013	26.99
Amount spent during the year:	
- From Company's bank A/c	10.76
- From Separate CSR Unspent A/c	-
Closing Balance:	
- With Company (excludes an amount of ₹ 1.07 Crore booked as 'CSR Pre-Spent' as approved by the Board of Directors of the Company)	16.23
- In Separate CSR Unspent A/c	-

## (v) Excess amount spent

₹ (in Crore)

Particulars	For the year ended March 31, 2021
Opening Balance	-
Amount required to be spent during the year	26.99
Amount spent during the year, (including an amount of ₹ 1.07 Crore booked as 'CSR Pre-Spent' as approved by the Board of Directors of the Company)	28.06
Closing Balance *	1.07

\* Until year ended March 31, 2020 any amount spent in excess of the prescribed limit was not allowed to be carried forward. Based on the amendment in Companies (Corporate Social Responsibilities Policy) Rules, 2014, with effect from the year ended March 31, 2021, such excess amount spent can be adjusted against future spends up to three financial years. Accordingly, the same has been accounted as CSR Pre-Spent under Other Non-Financial Assets

## Disclosures for the year ended March 31, 2020

The gross amount required to be spent by the Company during the year towards Corporate Social Responsibility as per Section 135(5) of the Companies Act, 2013 is as follows:

₹ (in Crore)

Particulars	For the year ended March 31, 2020
(i) Amount to be spent during the year	20.73

## (ii) Amount spent

₹ (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	20.90	-	20.90
<b>Total</b>	<b>20.90</b>	<b>-</b>	<b>20.90</b>

# Notes to financial statements

for the year ended March 31, 2021

## Note 34 Dividend Paid and Proposed

Particulars	₹ (in Crore)	
	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Dividends on equity shares declared and paid during the year:</b>		
<b>Final dividend</b>		
Paid for the earlier financial year	595.96	255.11
Dividend per share for the earlier financial year (₹)	28.00	12.00*
<b>Total dividend paid</b>	<b>595.96</b>	<b>255.11</b>
<b>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)</b>		
Final dividend for the same financial year	724.04	595.85
Dividend per share for the same financial year (₹)	34.00	28.00

\* An interim dividend of ₹ 255.09 Crore at the rate of ₹12 per share for the year ended March 31, 2019 was paid during the same year.

## Note 35 Capital Management

Equity share capital and other equity are considered for the purpose of Company's capital management. The Company manages its capital in a manner which enables it to safeguard its ability to continue as a going concern and to optimise returns to the Shareholders. The capital structure of the Company is based on management's judgement of its strategic and day-to-day needs with a focus on total equity so as to maintain investor, creditors and market confidence. The funding requirements are met through operating cash flows and other equity. The management monitors the return on capital and the board of directors monitors the level of dividends paid to shareholders of the Company. The Company may take appropriate steps in order to maintain, or if necessary adjust, its capital structure.





# Notes to financial statements

for the year ended March 31, 2021

## Note 36 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.

Particulars	Carrying Amount			Fair Value			Total
	FVTPL	Amortised Cost	Total Carrying amount	Level 1	Level 2	Level 3	
As at March 31, 2021							
<b>Financial Assets</b>							
Investments in:-							
Mutual Funds	4,158.41	-	4,158.41	4,000.24	158.17	-	4,158.41
Debt Securities	32.01	490.13	522.14	-	562.84	6.40	569.24
Equity Instrument in Others	0.63	-	0.63	-	-	0.63	0.63
Preference Shares	-	-	-	-	-	-	-
Investment in Alternative Investment Funds	61.43	-	61.43	-	-	61.43	61.43
Investment in Venture Capital Fund	10.64	-	10.64	-	-	10.64	10.64
Trade & Other Receivables*	-	83.76	83.76	-	-	-	83.76
Cash and Cash Equivalents*	-	1.68	1.68	-	-	-	1.68
Other Bank Balances*	-	0.67	0.67	-	-	-	0.67
Other Financial Asset*	-	32.35	32.35	-	-	-	32.35
<b>Total</b>	<b>4,263.12</b>	<b>608.59</b>	<b>4,871.71</b>	<b>4,000.24</b>	<b>721.01</b>	<b>79.10</b>	<b>4,918.81</b>
<b>Financial Liabilities</b>							
Trade Payables*	-	42.11	42.11	-	-	-	42.11
<b>Other Financial Liabilities</b>							
Lease Liabilities	-	119.55	119.55	-	121.43	-	121.43
Others*	-	68.35	68.35	-	-	-	68.35
<b>Total Other Financial Liabilities</b>	<b>-</b>	<b>187.90</b>	<b>187.90</b>	<b>-</b>	<b>121.43</b>	<b>-</b>	<b>189.78</b>
<b>Total</b>	<b>-</b>	<b>230.01</b>	<b>230.01</b>	<b>-</b>	<b>121.43</b>	<b>-</b>	<b>231.89</b>

# Notes to financial statements

for the year ended March 31, 2021

Particulars	Carrying Amount			Fair Value			Total
	FVTPL	Amortised Cost	Total Carrying amount	Level 1	Level 2	Level 3	
As at March 31, 2020							
<b>Financial Assets</b>							
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
<b>Total</b>	<b>3,419.96</b>	<b>646.18</b>	<b>4,066.14</b>	<b>2,973.30</b>	<b>901.51</b>	<b>85.47</b>	<b>4,081.91</b>
<b>Financial Liabilities</b>							
Trade Payables*	-	46.73	46.73	-	-	-	46.73
<b>Other Financial Liabilities</b>							
Lease Liabilities	-	117.68	117.68	-	115.68	-	115.68
Others*	-	60.69	60.69	-	-	-	60.69
<b>Total Other Financial Liabilities</b>	<b>-</b>	<b>178.37</b>	<b>178.37</b>	<b>-</b>	<b>115.68</b>	<b>-</b>	<b>176.37</b>
<b>Total</b>	<b>-</b>	<b>225.10</b>	<b>225.10</b>	<b>-</b>	<b>115.68</b>	<b>-</b>	<b>223.10</b>

\*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, 2021

## 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, 2021

## 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, 2021

Financial Instrument	Significant unobservable inputs	Probability weights/range	Sensitivity of input to fair value measurement
Debt Securities	Valuation Factor	10% - 20%	A 10% increase in the valuation factor would decrease the carrying value of investment by ₹ 0.64 Crore. A 10% decrease in the valuation factor would increase the carrying value of investment by ₹ 0.64 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 ₹ 6.12 Crore. A 10% decrease in the NAV would decrease the carrying value of investment by ₹ 6.12 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 ₹ 1.06 Crore. A 10% decrease in the NAV would decrease the carrying value of investment by ₹ 1.06 Crore.

### 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.



# Notes to financial statements

for the year ended March 31, 2021

## E. Fair Value Measurement using Significant Unobservable Inputs (level 3)

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

₹ (in Crore)					
Particulars	Debt Securities	Equity Instrument in Others	Investment in Alternative Investment Funds	Investment in Venture Capital Fund	Total
<b>Balance as at April 01, 2019</b>	<b>5.74</b>	<b>0.26</b>	<b>28.03</b>	<b>21.32</b>	<b>55.35</b>
Net gain/(losses) on Financial Instruments recognised in the Statement of Profit and Loss	(101.33)	0.10	5.25	(6.48)	(102.46)
Purchases of Financial Instruments	427.13	-	14.01	0.63	441.77
Sales of Financial Instruments	(300.04)	-	(4.88)	(4.27)	(309.19)
<b>Balance as at March 31, 2020</b>	<b>31.50</b>	<b>0.36</b>	<b>42.41</b>	<b>11.20</b>	<b>85.47</b>
Net gain/(losses) on Financial Instruments recognised in the Statement of Profit and Loss	60.50	0.27	7.35	1.00	69.12
Purchases of Financial Instruments	-	-	13.41	-	13.41
Sales of Financial Instruments	(76.92)	-	(1.74)	(1.56)	(80.22)
Transfers out of Level 3 *	(8.68)	-	-	-	(8.68)
<b>Balance as at March 31, 2021</b>	<b>6.40</b>	<b>0.63</b>	<b>61.43</b>	<b>10.64</b>	<b>79.10</b>

\* The Company holds investments in certain debt securities with fair value of ₹ 25.62 Crore as at March 31, 2021 (March 31, 2020 ₹ 25.67 Crore). The fair value of these investments were categorised as Level 3 as at March 31, 2020. This was because of the illiquidity factor applied to the underlying collateral while valuing these investments. These debt securities matured during the year ended March 31, 2021. As at March 31, 2021, the residual amount of the said debt securities are categorised as Level 2 as the cash flows will now be expected from the collaterals which are listed and the collateral attributable to these debt securities has been sold with minimal impact cost during the FY 2020-21. No illiquidity factor is therefore being considered for the valuation of these investments.

## F. Financial Risk Management

The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimise potential adverse effects on its financial performance. The financial risks are managed in accordance with the Company's risk management policy which has been approved by its Board of Directors. The Company's Board of Directors has overall responsibility for managing the risk profile of the Company. The purpose of risk management is to identify potential problems before they occur, so that risk-handling activities may be planned and invoked as needed to manage adverse impacts on achieving objectives.

The Audit Committee of the Company reviews the development and implementation of the risk management policy of the Company on periodic basis. The Audit Committee provides guidance on the risk management activities, review the results of the risk management process and reports to the Board of Directors on the status of the risk management initiatives.

The Company has exposure to the following risks arising from Financial Instruments:

Risk	Exposure arising from
Credit Risk	Cash and cash equivalents, trade & other receivables, financial assets measured at amortised cost
Liquidity Risk	Financial liabilities
Market Risk – Foreign Exchange	Recognised financial assets not denominated in ₹
Market Risk – Interest Rate	Investments in debt securities
Market Risk – Price	Investments in equity securities, units of mutual funds, debt securities measured at FVTPL, venture capital fund and alternative investment funds

# Notes to financial statements

for the year ended March 31, 2021

## i. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade and other receivables, cash and cash equivalents, and financial assets measured at amortised cost.

Exposure to credit risk is mitigated through regular monitoring of collections, counterparty's creditworthiness and diversification in exposure.

### Exposure to credit risk

The carrying amount of financial assets represents maximum amount of credit exposure. The maximum exposure to credit risk is as per the table below, it being total of carrying amount of cash and cash equivalent, trade and other receivables and financial assets measured at amortised cost.

Particulars	₹ (in Crore)	
	As at March 31, 2021	As at March 31, 2020
Maximum exposure to credit risk	608.59	646.18

### 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

### Trade and Other Receivables

Exposures to customers' outstanding at the end of each reporting period are reviewed by the Company to determine incurred and expected credit losses. Historical trends of collection from counterparties on timely basis reflects low level of credit risk. As the Company has a contractual right to such receivables as well as control over preponderant amount of such funds due from customers, the Company does not estimate any credit risk in relation to such receivables. Further, management believes that the unimpaired amounts that are past due by more than 180 days are still collectible in full, based on historical payment behaviour.

### Cash and Cash Equivalents

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.



# Notes to financial statements

for the year ended March 31, 2021

## Investment in Debt Securities measured at amortised cost

The Company has made investments in tax free bonds. Funds are invested after taking into account parameters like safety, liquidity and post tax returns etc. The Company avoids concentration of credit risk by spreading them over several counterparties with good credit rating profile and sound financial position. The Company's exposure and credit ratings of its counterparties are monitored on an ongoing basis.

Investment in debt securities that are in tax free government bonds do not carry any credit risk, being sovereign in nature. Credit risk from other financial assets has not increased significantly since initial recognition. Accordingly, the expected probability of default is low.

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)
<b>Reconciliation of loss allowance provision</b>	<b>LTECL</b>
<b>Loss allowance as at April 01, 2019 *</b>	<b>40.00</b>
Add: Changes in loss allowance	-
<b>Loss allowance as at March 31, 2020</b>	<b>40.00</b>
Less: Financial asset derecognised	(40.00)
<b>Loss allowance as at March 31, 2021</b>	<b>-</b>

\* 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, 2021	Carrying amount	Contractual Cash Flows		
		Total	1 year or less	More than 1 year
<b>Financial Liabilities</b>				
Trade Payables	42.11	42.11	42.11	-
Lease Liability (remaining contractual maturities)	119.55	145.38	39.92	105.46
Other Financial Liabilities (excluding Lease Liability)	68.35	68.35	68.35	-
<b>Total</b>	<b>230.01</b>	<b>255.84</b>	<b>150.38</b>	<b>105.46</b>



# Notes to financial statements

for the year ended March 31, 2021

₹ (in Crore)

As at March 31, 2020	Carrying amount	Contractual Cash Flows		
		Total	1 year or less	More than 1 year
<b>Financial Liabilities</b>				
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	-
<b>Total</b>	<b>225.10</b>	<b>249.66</b>	<b>145.62</b>	<b>104.04</b>

### iii. Market Risk

Market risk is the risk of loss of future earnings, fair values or future cash flows related to financial instrument that may result from adverse changes in market rates and prices (such as foreign exchange rates, interest rates, other prices). The Company is exposed to market risk primarily related to currency risk, interest rate risk and price risk.

#### Currency Risk

The Company has insignificant amount of foreign currency denominated assets. Accordingly, the exposure to currency risk is insignificant.

#### Interest Rate Risk

The Company's investments are primarily in fixed rate interest instruments. Accordingly, the exposure to interest rate risk is also insignificant.

#### Price Risk

Price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices and related market variables including interest rate for investments in debt oriented mutual funds and debt securities, whether caused by factors specific to an individual investment, its issuer or the market. The Company's exposure to price risk arises from investments in equity securities, debt securities, units of mutual funds, venture capital fund and alternative investment funds which are classified as financial assets at Fair Value Through Profit and Loss and is as follows:

₹ (in Crore)

Particulars	As at	As at
	March 31, 2021	March 31, 2020
Exposure to price risk	4,263.12	3,419.96

To manage its price risk from investments in equity securities, debt securities, units of mutual funds, venture capital fund and alternative investment funds, the Company diversifies its portfolio.

#### Sensitivity Analysis

The table below sets out the effect on profit or loss and equity due to reasonable possible weakening/strengthening in prices of 5%:

₹ (in Crore)

Particulars	For the year ended	For the year ended
	March 31, 2021	March 31, 2020
<b>Effect on Profit and Loss</b>		
5% increase in the prices	213.16	171.00
5% decrease in the prices	(213.16)	(171.00)



# Notes to financial statements

for the year ended March 31, 2021

## Note 37 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.

Particulars	As at March 31, 2021		As at March 31, 2020		Total
	Within 12 months	After 12 months	Within 12 months	After 12 months	
	₹ (in Crore)				
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	1.68	-	1.68	26.64	26.64
Bank Balance other than above	0.67	-	0.67	0.46	0.46
<b>Receivables</b>					
(i) Trade Receivables	79.91	-	79.91	60.59	60.59
(ii) Other Receivables	3.01	0.84	3.85	3.19	3.99
Investments	1,106.18	3,647.07	4,753.25	2,098.18	3,944.51
Other Financial Assets	20.74	11.61	32.35	15.92	29.95
<b>Sub-total - Financial Assets</b>	<b>1,212.19</b>	<b>3,659.52</b>	<b>4,871.71</b>	<b>2,204.98</b>	<b>4,066.14</b>
<b>Non-Financial Assets</b>					
Current Tax Assets (net)	-	31.29	31.29	-	32.37
Deferred Tax Assets (net)	-	-	-	-	21.67
Property, Plant and Equipment	-	136.86	136.86	-	141.39
Intangible Assets Under Development	-	1.18	1.18	-	4.60
Goodwill	-	6.04	6.04	-	6.04
Other Intangible Assets	-	10.32	10.32	-	9.28
Other Non-Financial Assets	22.46	14.84	37.30	16.83	27.11
<b>Sub-total - Non-Financial Assets</b>	<b>22.46</b>	<b>200.53</b>	<b>222.99</b>	<b>16.83</b>	<b>225.63</b>
<b>Total Assets</b>	<b>1,234.65</b>	<b>3,860.05</b>	<b>5,094.70</b>	<b>2,221.81</b>	<b>4,308.60</b>
<b>Liabilities</b>					
<b>Financial Liabilities</b>					
<b>Payables</b>					
<b>Trade payables</b>					
(i) Total Outstanding Dues of Micro Enterprises and Small Enterprises	-	-	-	-	-
(ii) Total Outstanding Dues of Creditors other than Micro Enterprises and Small Enterprises	42.11	-	42.11	46.73	46.73
<b>Other Financial Liabilities</b>	100.37	87.53	187.90	91.24	178.37
<b>Sub-total - Financial Liabilities</b>	<b>142.48</b>	<b>87.53</b>	<b>230.01</b>	<b>137.97</b>	<b>225.10</b>
<b>Non-Financial Liabilities</b>					
Current Tax Liabilities (net)	4.34	-	4.34	3.94	3.94
Provisions	0.87	7.01	7.88	0.78	7.25
Deferred Tax Liabilities (net)	-	32.13	32.13	-	-
Other Non-Financial Liabilities	44.16	-	44.16	43.05	43.05
<b>Sub-total - Non-Financial Liabilities</b>	<b>49.37</b>	<b>39.14</b>	<b>88.51</b>	<b>47.77</b>	<b>54.24</b>
<b>Total Liabilities</b>	<b>191.85</b>	<b>126.67</b>	<b>318.52</b>	<b>185.74</b>	<b>279.34</b>

# Notes to financial statements

for the year ended March 31, 2021

## Note 38

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 had 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 39

The COVID-19 pandemic and consequent lockdown imposed in March 2020 impacted a whole range of economic activities adversely. The phase wise opening up initiated in the quarter ended June 30, 2020 led to a recovery in varied measures across different sectors of the economy, industries and businesses.

While the situation looked quite upbeat in Jan-Feb 2021, due to the onset of the 'second wave', things have deteriorated quickly since then. An accelerated increase in the number of COVID-19 cases has necessitated imposition of restrictions which may once again inhibit economic activity and affect markets.

The extent to which the second wave of COVID-19 pandemic will impact the Company's financial statements will depend on ongoing as well as future developments, which at this juncture are highly uncertain.

While it is expected that economic activity will improve once restrictions are eased, the situation will have to be closely monitored till the pandemic is put to rest.

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, 2021. 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 Under Management (AUM) it manages, changes in market conditions and the trend of flows into mutual funds have an impact on the operations of the Company. Since the situation is still uncertain, its effect on the operations of the Company may be, to some extent, different from that estimated as at the date of approval of these financial statements. The Company continues to closely monitor material changes in markets and future economic conditions.

Further, during the year ended March 31, 2021, there has been no material change in the controls or processes followed in the preparation of the financial statements.

## Note 40

The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period in which the Code becomes effective.

## Note 41

Previous year figures have been regrouped/reclassified wherever necessary, in order to make them comparable.

As per our report attached of even date

For **BSR & Co. LLP**

Chartered Accountants

ICAI Firm Registration No: 101248W/W-100022

**Akeel Master**

Partner

Membership No: 046768

Mumbai, April 27, 2021

For and on behalf of the Board of Directors

**Deepak S. Parekh**

Chairman

(DIN: 00009078)

**Piyush Surana**

Chief Financial Officer

**Navneet Munot**

Managing Director & Chief Executive Officer

(DIN: 05247228)

**Sylvia Furtado**

Company Secretary

(ACS: 17976)





## **HDFC Asset Management Company Limited**

CIN: L65991MH1999PLC123027

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Churchgate, Mumbai – 400020, Maharashtra.