



HDFC PENSION MANAGEMENT COMPANY LIMITED

SCHEME E TIER I

SCHEME E TIER II

SCHEME C TIER I

SCHEME C TIER II

SCHEME G TIER I

SCHEME G TIER II

SCHEME NPS LITE

ANNUAL REPORT 2014-15

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HDFC Pension Management Company Limited ('the Company') presents its second annual report along with the audited financial statements of the Schemes for the year ended March 31, 2015.

During the year ending March 31, 2015, the Company managed the following schemes under the National Pension System (NPS):

- Scheme E Tier I - Equity market instruments
- Scheme E Tier II - Equity market instruments
- Scheme C Tier I - Credit risk bearing fixed income instruments
- Scheme C Tier II - Credit risk bearing fixed income instruments
- Scheme G Tier I - Government securities
- Scheme G Tier II - Government securities
- Scheme NPS Lite

(All the above schemes collectively referred as "Schemes" in this document)

The Asset under Management as at March 31, 2015 of all the schemes collectively was ₹ 5307.78 Lakhs

1. BRIEF BACKGROUND OF THE TRUST, SPONSORS AND PENSION FUND MANAGEMENT COMPANY

a) THE TRUST

Pension Fund Regulatory and Development Authority ('PFRDA') was established by the Government of India on August 23, 2003 to promote old age income security by establishing, developing and regulating pension funds, to protect the interests of subscribers to schemes of pension funds and for matters connected therewith or incidental thereto.

The National Pension System Trust ('NPS Trust') was established by PFRDA on February 27, 2008 with the execution of the NPS Trust Deed. The NPS Trust has been set up and constituted for taking care of the assets and funds under the National Pension System (NPS) in the interest of the beneficiaries (subscribers). Individual NPS subscribers shall be the beneficiaries of the NPS Trust.

b) SPONSOR

HDFC Standard Life Insurance Company Limited (“HDFC Life” / “Sponsor”) is the Sponsor of the Company. HDFC Life is a joint venture between Housing Development Finance Corporation Limited (HDFC Ltd) and Standard Life plc of UK (through Standard Life (Mauritius Holdings) 2006 Limited). HDFC Life was incorporated on August 14, 2000 as a Company registered under the erstwhile Companies Act, 1956 (‘the Act’) and licensed by the Insurance Regulatory and Development Authority of India (‘IRDAI’) for carrying out Life Insurance business in India.

The Sponsor reaches its customers through 355 Branches in more than 1000 (including medical panels) cities at March 31, 2015. At March 31, 2015 the Sponsor has 14,433 employees and 65,214 advisors and is thus well equipped to cater to the needs of customers.

As at March 31, 2015, it has infused share capital amounting to ₹ 28 Crores into the Company.

c) PENSION FUND MANAGEMENT COMPANY

The Company was incorporated on June 20, 2011 as a Company registered under the Act. It has been appointed as a Pension Fund Manager (‘PFM’) by the NPS Trust for the management of Pension Schemes (Private Sector) under the NPS Trust. The Company was granted a Certificate of Registration bearing No. PFRDA/007/2013/PFM dated April 23, 2013.

In January 2014, a Request for Proposal (‘RFP’) was floated by the PFRDA seeking fresh bids for selection of pension fund managers afresh to manage the pension funds. In response to the RFP, HDFC Life (‘the Sponsor’) submitted its technical and commercial bid to be selected as a Sponsor. The technical bid made under RFP was opened in April 2014 and the bid submitted by the Sponsor was not accepted by the PFRDA on technical grounds of not having profitability for a period of 3 years at the time of submission of the bid. The Sponsor along with the Company, therefore, filed a Writ Petition before the Hon’ble High Court of Delhi, challenging the said rejection. The Hon’ble High Court of Delhi by its Order dated May 15, 2014 quashed and set aside the PFRDA’s rejection of the Sponsor’s bid and directed the PFRDA to evaluate the bid in accordance with the steps set out in the RFP. Pursuant thereto, while the PFRDA cleared the Sponsor’s technical and commercial bid and the Sponsor even agreed to match the lowest commercial bid, the PFRDA declined to grant the Sponsor a Letter of Appointment. The Sponsor along with the Company, therefore, filed a Writ Petition before the Hon’ble High Court of Delhi, which, vide its Order dated December 18, 2014 set aside the rejection of the Sponsor’s bid and directed the PFRDA to grant HDFC Life a Letter of Appointment to act as a Sponsor. Subsequently, the PFRDA has filed a Special Leave Petition before the Hon’ble Supreme Court of India challenging the above said Order dated December 18, 2014.

The Hon'ble Supreme Court has, by its Order dated March 9, 2015, refused to grant the PFRDA any ad-interim relief and has also directed the Sponsor to file its counter affidavit to the Petition. The matter is presently pending hearing. On March 27, 2015, complying with the High Court order, the PFRDA has issued a Letter of Appointment in favour of the Sponsor, stating inter alia that such appointment is subject to the outcome of the above proceedings filed before the Hon'ble Supreme Court. Further, as per the opinion obtained by the Company in this regard from a legal expert, the Company stands a fairly good chance of succeeding in the matter.

It may be noted that this would not have any impact on the subscriber as the assets and funds of the subscribers of National Pension System are held by NPS Trust, while HDFC Pension acts as a Fund Manager only.

2. BASIS AND POLICY OF INVESTMENTS

Investment Policy

The Investment Policy for the Company outlines the process and the principles for the management of all the invested assets under different fund categories. Invested assets are the investments made in market instruments using the Subscribers funds under various Schemes.

The Board of the Directors of the Company ("Board") reviews the investment policy and its implementation and makes necessary modifications from time to time to bring it in tune with the requirements of the law and regulations – in regard to protection of subscribers' interest and pattern of investment laid down by PFRDA.

Investment Structure

The broad Investment Structure of the Company is discussed below;

a) Investment Committee

The Board of Directors of the Company has constituted an Investment Committee to oversee the investments of the Company. The responsibility for the selection and management of the invested assets rests in the first instance with the Investment Committee. The Investment Committee may delegate this investment authority subject to putting in place consistent control and monitoring mechanisms. The Investment Policy is defined by the Investment Committee to set the contours of the investment activity, process, prudential risk limits and performance objectives.

b) Investment Front Office :

The investment front office is headed by the Chief Investment Officer (CIO) who is responsible for the following set of process among others:

- 1) Market research;
- 2) Investment Recommendations;
- 3) Approval of recommendation;
- 4) Deal execution & Order Placement;
- 5) Deal entry in Front Office System;
- 6) Placement of daily funds inflow;

c) Investment Mid and Back Office :

The Investment Mid and Back office is responsible for the following set of processes among others:

- 1) Fund Accounting
- 2) Trade Settlement
- 3) Investment Compliance
- 4) NAV Calculation & Declaration
- 5) Valuation of Securities
- 6) Regulatory Reporting & Internal MIS

An external Custodian, appointed by PFRDA, is responsible for the custody of the assets, tracking corporate actions and also undertakes valuation of securities.

Investment Strategy

The investment philosophy of the Company is to meet a consistent long-term return objective while exposing the fund to the least possible risk, The overall investment strategy of the Company is focused on ensuring adequate returns on investments to subscribers consistent with protection, safety and liquidity of the funds alongside complying with the applicable investment guidelines as prescribed under Investment Management Agreement executed with NPS Trust.

Investments in the Fixed Income instruments are made with the objective of optimising the returns by actively managing the risks associated with fixed income securities like Credit Risk, Interest Rate Risk & Liquidity Risk.

Investments in Equity are made in scrip's that constitute the Benchmark Index with a complete replication of their weights as in the index.

Brief details of investment in various Schemes are as under:

Scheme E: It is managed as an index fund. The fund strategy is to replicate the benchmark index so as to achieve returns closer to that of the index.

Scheme C: The funds under Scheme C are invested in fixed deposits and corporate debentures of rated corporate issuers. Investments in corporate debentures are made in high quality long term debentures following internal due diligence and credit rating from independent credit rating agencies.

Scheme G: The funds under Scheme G are invested in State Government and Central Government Securities as per the scheme objective. The scheme is managed actively based on the view on interest rates in the market.

3. ECONOMIC SCENARIO

We believe that Indian economy is at a cusp of a sustained upward growth trajectory, and we see growth uptick towards 8.5% within the next couple of year. Propitious combination of factors have created a unique opportunity for India to make a sharp growth upturn: a growth focused majority government promising a major pick-up in reform momentum and improvement in business climate, collapse in commodity prices, cyclical revival after below potential growth for the last 2 years, monetary easing cycle, and comfortable balance of payment situation. Moreover, with India being one of the few sparks in global economy with a stable currency, surge in global capital inflows shall reduce the funding constraints to growth. However, the recovery is expected to be gradual compared to that in FY04 and FY10 due to stressed balance sheets of corporate and banks (largely due to aggressive investments in FY04-FY08 cycle), weak global growth and contractionary fiscal policy. We also expect a rating upgrade within the next couple of years, due to improving prospects in the macro-stability indicators.

What gives us confidence?

Commodity price windfall

The sharp decline in commodity prices, especially crude, is a windfall for our economy: a stimulus bigger than what was given by the government after global financial crisis. Reduction in global prices of India's major import commodities (oil, gold and silver, coal, vegetable oils, and fertilizers) help India in multifarious ways, as they account for more than half of the

country's import bill thereby, helping significantly in India's balance of payment, moderate pressure on inflation, reduce fiscal deficit and above all, simultaneously act like a significant tax cut for the economy and tax boost for the government. An average crude price of ~US\$ 65/bbl will likely save an annual ~INR 2.5tn (~2% of GDP) in imports bill. The same may be either apportioned by the government and reduce fiscal deficit (releasing resources for other sectors of the economy) and inflation (resulting in lower interest rates), or may act as a tax-cut stimulus to the public, thereby boosting overall demand.

Investment rate remains high; ICOR has shot up in the last couple of years

Despite the recent growth slowdown, the investment rate (as measured by GFCF) remains high and the incremental capital output ratio (ICOR) has shot up. The surge in ICOR (measure of investment efficiency) since FY12 reflects the large number of stalled projects due to the general policy paralysis (delays in environmental and other clearances and general fear in the bureaucracy to take decisions), legal pronouncements on various corruption scandals, impact of high interest rates, and slow growth on project viabilities. In the previous occasions, the decline in ICOR from high levels have been quite sharp, which gives us hope for a quick growth take-off once the above hurdles are removed (the process is already afoot).

Structural drivers of India growth story remains intact

We believe that the recent downtrend in growth is largely cyclical in nature brought about due to confluence of regulatory issues in mining, policy paralysis at the central government, corruption related scandals, green-activism, and deliberate demand compression on both monetary and fiscal side to bring down inflation. With most of the above drags on an improving trend, we remain hopeful of the growth revival. The key structural drivers of growth viz: improved efficiency due to two decades of economic reforms, high savings rate, demographic dividend, improving socio-economic indicators and skilled talent pool remain intact, which gives us confidence on the sustenance of long term India growth story. Moreover, despite two decades of economic reforms and uptick in trend growth rate and income levels, India is still a low income economy and is quite distant from falling into the "middle income trap".

Interest rates headed downwards

Declining interest rates will positively impact investment cycle and also contribute towards rerating of Indian equity market. What can complicate the interest rate cycle for India is the global interest rate dynamics. With US growth gaining further momentum, any sharper than expected rise in US interest rate cycle is likely to have significant impact on almost all global asset classes including EM currencies, bonds and equities. While India is likely to outperform

most EMs in case of withdrawal of global liquidity out of EM, we nevertheless expect a non-significant impact on Indian markets.

Foreign capital inflows to ease funding constraints

We would like to highlight that between FY05 to FY12 rest of the world has accounted for close to 50% of net flow of funds to the private corporate business. Improved sentiments are already reflecting in strong FII inflows, which shall reduce the funding constraints that were emerging as a key road-block to investments.

Tax reforms top on the agenda

Goods and Services Tax ("GST") is the key thrust area of the current Central Government and the Constitutional amendment bill for the same has already been introduced in the Parliament. With the central government showing high flexibility to evolve consensus, and accepting majority of states' demands, there is a fair possibility of adoption of GST sometimes in FY17 if not from April 2016. Moreover, given that significant movement in GST was made in the UPA tenure, there is a possibility (though never certain) that GST may not face opposition of purely political nature.

Macro stability indicators on an uptrend

The key positive which gives us hope for a sustainable growth uptrend is the improving trend in the macro-stability indicators viz: inflation, fiscal health and current account deficit. We believe that the improving macro-stability indicators remove structural constraints to growth rebound. Improving macro-stability indicators creates confidence on the sustainability of India story, (especially for the foreign investors, who are typically impacted more seriously in case of actions like ratings downgrade), and reduce the cost of doing business through lower cost of capital, and easier monetary and fiscal stance.

We expect an investment driven recovery led by mining, manufacturing and construction

We expect the recovery to be driven by investments, and uptick in manufacturing, construction and mining. The sharp growth decline witnessed in the last couple of years has been exclusively due to slowdown in the above sectors, and 'trade, hotels, transport and communications', which has high correlation with manufacturing. Given India's growth stage, economic structure, infrastructure deficit, and supply side constraints, any sustainable non-inflationary economic revival is unlikely without pick-up in the above crucial sectors. With the

ambitious 'Make in India' campaign, manufacturing revival is at the top of government's agenda. We believe that the last few years of slowdown in manufacturing was largely due to the policy paralysis, regulatory (and legal) hurdles, high interest rates, stressed balance sheets, difficult business environment, and widespread economic gloom. Almost all the above constraints have eased in the last 7-8 months and the process is expected to pick-up further in 2015 and beyond. It may be noted that many of the constraints mentioned above fall within the domain of government policy-making and execution, and with manufacturing revival on top of the government's agenda, we are already witnessing improvement in business sentiments, and we expect major uptick in manufacturing in the next two years. Second key sector where we see a significant revival is mining, which has a small ~2% share in economic output but a disproportionately large impact on economy. Mining has been a key focus area of the new government and with many of the regulatory bottlenecks close to getting cleared we see a healthy recovery in mining sector, with positive impact on wider economy.

The uptick in construction is also premised on strong infrastructure push by government (both funding and non-funding), improvement in land acquisition laws, lower interest cost, sharp decline in construction activity in last few years, large number of unfinished projects and substantial unmet demand for physical infrastructure. While the stressed balance sheets has been a key constraint to funding the investment revival (sine qua non to non-inflationary growth), the same is likely to be ameliorated in 2015 due to lower interest rates, greater financial savings, expectation of strong foreign capital inflows and recent indications by government of crowding in public.

Rural theme to remain weak

Small token rise in minimum support prices, weak monsoon, low outlay for rural schemes like MNREGA and the resultant low wage growth rate is likely to result in weak growth in rural demand. Hence rural themes are likely to remain under pressure.

Global economy to be the X-factor

The likelihood of US Fed beginning its policy rate hike cycle in 2H CY15 is likely to be the key X-factor determining the course of global liquidity and impacting currencies across the world. We believe that the impact on EM economies (particularly foreign capital dependent countries) will be relatively more pronounced. However, we believe that India is in a much stronger position to deal with the situation.

With India expected to be one of the spark in an otherwise gloomy global scenario, we see major upsurge in capital inflows to India, driven by comfortable BoP situation, growth outperformance, improving macro-risk indicators, and positive fallout of lower commodity prices. The relative stability of INR in 2014, amidst widespread EM currency decline, will also

positively impact foreign capital inflows. Lastly, we are quite optimistic of the positive impact of Central Government's dynamic foreign policy flowing into larger capital flows, investments, tourism and trade.

Exports growth may remain muted

We expect exports growth to remain muted in 2015 given the weak global demand scenario, relative appreciation of INR against competing currencies and still extant roadblocks to productivity and competitiveness (which we expect to ease in the upcoming years). With many countries already embarking on exports led growth strategy (partially through suppressing domestic demand and undervaluing their currency) and few extant pockets of global demand, exports markets are crowded and challenging at this juncture.

INR to remain the beacon of stability in a volatile currency period

We note that Indian rupee (INR) has been one of the most stable currency against a surging US\$ and has outperformed against majority of DMs (except US\$) & EM currencies in 2014. We expect the trend to continue in 2015 and believe that INR will continue to remain one of the most stable currencies in a period of high currency volatility. Stable INR in a volatile currency environment will be a key driver for strong foreign investments in the economy. We believe that INR is one of the most well placed EM currency at this juncture given the easing inflationary pressure, expectation of rise in growth differential with major trading partners, and the sharp collapse in global commodity prices.

Given that the structural constraints to exports will take time to ease and global demand is expected to remain muted, pushing exports will necessitate a more competitive exchange rate. However, an expected surge in capital inflows and reduction in import bill (due to weak global commodity prices) will put an appreciating pressure on the exchange rate, which will either have to be absorbed by the central banks (through forex accumulation) or will negatively impact exports demand and its growth.

A key change which has happened with respect to currency dynamics in the last one and half year has been the interventionist approach of RBI under Dr. Raghuram G Rajan, which is in stark change to the laissez faire policy of the previous dispensation. Dr. Raghuram G Rajan has repeatedly highlighted the need to avoid exchange rate volatility on the back of strong capital movements. We, thus, expect RBI to continue its policy of reserve accretion whenever there is appreciating pressure on INR. In our view, RBI can easily absorb US\$ 32bn in the next 12 months with negligible impact on domestic liquidity, and no direct fiscal costs. However, we believe that RBI will be comfortable with adding ~US\$ 40bn-US\$50 bn without much concern. We see improvement in both the capital and current account in 2015, with growth and reforms pick-up driving higher capital inflows (both FII and FDI), and commodity price decline resulting

in improvement in current account. Commodities comprise of more than half of India's imports basket and the sharp decline in commodity prices is the key upside for INR. While exports growth is expected to remain low, Brent crude averaging ~US\$ 60/bbl can alone reduce current account deficit (CAD) by 1.8% of the GDP (to put numbers in perspective, India's CAD in FY14 was 1.7% of GDP!!). We do not see strong appreciation in INR as well. Arguments against strong appreciation of INR, largely come from the relative outperformance of INR against peer EMs and likely impact of over-valuation in Real Effective Exchange Rate terms on India's current account (which acts with a 2-4 quarter lag), and the central bank's likely intervention in the markets, to both boost forex reserve and ensure export competitiveness.

Outlook

A. Equity Outlook

"The most hated bull market ever" is now 2.5 years old and will be the biggest bull run for the decade. In August 2012, when global strategist wrote-off India due to S&P downgrade, since then Indian equity markets have delivered 100% returns in the last 2.5 years. As majority of the retail investors have missed the biggest up-move because of disbelief in any large sustainable up-moves and low confidence in a major recovery across the globe. Many investors have pruned their equity exposure as they feared that the equity markets are overheated and expensive. Left-out feeling is increasing as markets have continued to rally further and investors are unable to get back, even at higher levels.

Even though the sharp fall in oil prices would be a boost to the Indian economy in the long run, Indian equities got affected in the short-term by global risk-off sentiments. We expect India equities to stabilize as global investors realign their assets allocations in 2015 with improving macroeconomic dynamics in the country.

We strongly believe that the Midcaps Index has the potential to outperform the broader indices as retail participation will increase further in 2015-16. Midcap and small cap stocks are grossly under owned and disbelief is equally high about their sustainability at higher levels.

We expect RBI to further reduce benchmark interest rates in early 2015-16 in light of inflation under control and weak macro environment. Banks have already started shelving rates on deposits & lending side, and we expect the momentum in rate reduction to continue in FY 2015-16 as RBI also likely to start rate cuts in near future. Banks are flushed with ample liquidity in their balance sheet due to lower demand for project loans.

The Central government's thrust on infrastructure, Make in India campaign, swifter bureaucracy and cut down on red tape is expected to increase economic activity. Change in monetary policy stance with lower interest rates will also impact realty and construction sector positively. For the new government at the centre, reigniting the infra investment cycle through vigorous private participation remains crucial to bring the economy back on track. India needs more than US\$1 tn of investment in infrastructure sectors alone to bridge the gap between the desired and current infrastructure. To attain the same, we expect the government would channelize its efforts to bring in investor friendly policies and eliminate regulatory hurdles.

B. Fixed Income Outlook

Monetary policy easing expectations were finally realized with RBI easing the rates by a cumulative 50bps in Q1 2015, through 25bps cut - each outside of regular policy meets - in Jan and Mar, to 7.50%

In a significant development, RBI has been given an explicit inflation targeting mandate with the headline **Consumer Price Index (CPI) targeted** below 6.0% by Jan 2016 and in the range of 2.0% to 6.0% subsequently; **CPI** deviating beyond this range for three consecutive quarters will be considered a monetary policy failure and will require an explanation from the central bank. With high weightage of food and fuel in the headline **CPI** reading, weather impacted food production and /or a recovery in global energy prices can result in negative surprises by leading to cost push inflation.

Timeline of Fed's rate liftoff also adds to the uncertainty; though recent positive payroll data has led some market participants to expect the rate hike will be sooner than later. However we continue to believe in a symbolic and nominal rate hike.

Given the aggressive buildup of expectations and spread compression, the later rate cut has been largely rendered ineffective in the immediate term, with PSE banks using the opportunity to book treasury profits before the financial year closing.

Inflection point in near-term remains speculation about changes in FII limit in government securities. With the current limit exhausted and appetite continuing for treasury and treasury related papers, policymakers could consider shifting of unused limit of corporate bonds. Besides, the move towards enlisting India government bonds on Euroclear needs to add on the investment limit to add liquidity and hence, we could see gradual hike in the limit. Ownership of India government securities by FIIs has reached 3.4% of total issuances and comparisons are with that of Indonesia and other Asian countries that have seen investment above 25%.

However, the deviation from the fiscal consolidation timeline and revised FY 2016 (April 2015-March 2016) fiscal deficit target of 3.9% against 3.6% as per original schedule, has not led to any significant increase in gross and net issuances, mainly due to reliance on an aggressive disinvestment target. Issuances in Q1 FY16 are likely to be met by a healthy market appetite with coupon and redemption inflows of 1.73tn during the quarter. Given that the RBI has twice in a row implemented an 'out of turn' rate cut during the current financial year, anticipation of a follow-up rate cut remains high.

4. SCHEME PERFORMANCE AND OPERATIONS

SCHEME E TIER I - Equity market instruments

Investment Objective

The investment objective of Scheme E Tier I is to optimise returns while investing in the NSE Nifty 50 Index over a rolling annual basis.

Scheme Performance against Benchmark

The performance of the scheme is measured by reference to the total performance of the NSE Nifty 50 Total Return Index.

The performance of Scheme E Tier I as at March 31, 2015 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) #
3 months	11.59%	11.55%
6 months	14.59%	14.40%
1 Year	28.63%	28.33%
Since inception @	29.82%	27.99%

[^] Past performance may or may not be sustained in the future, returns are compounded annualised (CAGR).

Benchmark index: NSE Nifty 50 Total Return Index

@ Date of Inception: August 01, 2013.

Since inception, returns of the scheme have outperformed the benchmark returns.

AUM and Asset Mix

The net assets of the Scheme as on March 31, 2015 stood at ₹ 1,953.52 lakhs.

As on March 31, 2015, 98.39% of the net assets were invested in Equity Shares, 0.08% of the net assets were invested in non-convertible debentures* and 1.53% in money market instruments and cash/cash equivalent & net current assets.

*The Company has been holding the Equity Shares of NTPC Limited ("NTPC") in Scheme E - Tier I. Pursuant to a Scheme of Arrangement, NTPC has issued Secured, Non-Cumulative, Non-Convertible, Redeemable, Taxable Fully Paid-up debentures, having face value of Rs 12.50 each and a tenor of 10 years, as bonus to its shareholders in the ratio of 1:1. In view of the same, currently, the bonus debentures are held in Scheme E-Tier- I. The company will liquidate the said debentures in the market as when the opportunity arises or will be transferred to Scheme C post clarification from PFRDA.

SCHEME E TIER II - Equity market instruments

Investment Objective

The investment objective of Scheme E Tier II is to optimise returns while investing in the NSE Nifty 50 Index over a rolling annual basis.

Scheme Performance against Benchmark

The performance of the scheme is measured by reference to the total performance of the NSE Nifty 50 Total Return Index.

The performance of Tier II Scheme E as at March 31, 2015 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) # \$
3 months	15.14%	11.55%
6 months	14.67%	14.40%
1 Year	22.77%	28.33%
Since inception @	18.44%	27.99%

[^] Past performance may or may not be sustained in the future, returns are compounded annualised (CAGR).

Benchmark index: NSE Nifty 50 Total Return Index

@ Date of Inception: August 01, 2013.

\$ As per fund objective, the fund only invests in equity securities through Nifty 50 Index basket. There is a minimum threshold amount for investment in Nifty 50 basket and till the time investable amount reaches this threshold, it is invested temporarily in liquid and money market securities. Due to small size of the fund this has affected the fund performance. Hence, Fund performance of the scheme for the period is not comparable with the benchmark.

AUM and Asset Mix

The net assets of the Scheme as on March 31, 2015 stood at ₹ 53.92 lakhs.

As on March 31, 2015, 95.53% of the net assets were invested in Equity Shares, 0.07% of the net assets were invested in non-convertible debentures* and 4.40% in money market instruments and cash/cash equivalent & net current assets.

*The Company has been holding the Equity Shares of NTPC Limited ("NTPC") in Scheme E - Tier II. Pursuant to a Scheme of Arrangement, NTPC has issued Secured, Non-Cumulative, Non-Convertible, Redeemable, Taxable Fully Paid-up debentures, having face value of Rs 12.50 each and a tenor of 10 years, as bonus to its shareholders in the ratio of 1:1. In view of the same, currently, the bonus debentures are held in Scheme E-Tier- II. The company will liquidate the said debentures in the market as when the opportunity arises or will be transferred to Scheme C post clarification from PFRDA.

SCHEME C TIER I - Credit risk bearing fixed income instruments

Investment Objective

The investment objective is to optimise returns by investing in the chosen asset class

Scheme Performance against Benchmark

The performance of Scheme C Tier I as on March 31, 2015 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) #
3 months	13.67%	12.05%
6 months	17.52%	16.44%
1 Year	15.20%	14.67%
Since inception @	13.40%	11.55%

[^] Past performance may or may not be sustained in the future, returns are compounded annualised (CAGR).

Benchmark index: CRISIL Composite Bond Index

@ Date of Inception: August 01, 2013.

Since inception returns of the scheme has outperformed the benchmark returns.

AUM and Asset Mix

The net assets of the Scheme as on March 31, 2015 stood at ₹ 1,468.80 lakhs

As on March 31, 2015, 92.71% of the net assets were invested in bonds and non-convertible debentures and 7.29% in money market instruments and cash/cash equivalent & net current assets.

SCHEME C TIER II - Credit risk bearing fixed income instruments

Investment Objective

The investment objective is to optimise returns by investing in the chosen asset class.

Scheme Performance against Benchmark

The performance of Scheme C Tier II as at March 31, 2015 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) # \$
3 months	10.84%	12.05%
6 months	9.83%	16.44%
1 Year	9.51%	14.67%
Since inception @	9.45%	11.55%

[^] Past performance may or may not be sustained in the future, returns are compounded annualised (CAGR).

Benchmark index: CRISIL Composite Bond Index

@ Date of Inception: August 01, 2013.

\$ Due to small fund size of Tier II Scheme C, investment has been made temporarily in Liquid Mutual Fund. The fund has started investment as per scheme objective in the month of March, 2015. Hence, Fund performance of the scheme for the period is not comparable with the benchmark.

AUM and Asset Mix

The net assets of the Scheme as on March 31, 2015 stood at ₹ 70.89 lakhs.

As on March 31, 2015, 73.22% of the net assets were invested in bonds and non-convertible debentures and 26.78% in money market instruments and cash/cash equivalent & net current assets.

SCHEME G TIER I - Government securities

The investment objective is to optimise returns by investing in the chosen asset class.

Scheme Performance against Benchmark

The performance of Scheme G Tier I as at March 31, 2015 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) #
3 months	13.29%	14.26%
6 months	25.40%	24.28%
1 Year	19.88%	20.08%
Since inception @	13.70%	12.83%

[^] Past performance may or may not be sustained in the future, returns are compounded annualised (CAGR).

Benchmark index: ISEC - LIBEX

@ Date of Inception: August 01, 2013.

Since inception returns of the scheme has outperformed the benchmark returns.

AUM and Asset Mix

The net assets of the Scheme as on March 31, 2015 stood at ₹ 1,731.05 lakhs.

As on March 31, 2015, 98.65% of the net assets were invested in government securities and 1.35% in money market instruments and cash/cash equivalent & net current assets.

SCHEME G TIER II - Government securities

Investment Objective

The investment objective is to optimise returns by investing in the chosen asset class.

Scheme Performance against Benchmark

The performance of Scheme G Tier II as at March 31, 2015 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) #
3 months	13.12%	14.26%
6 months	24.41%	24.28%
1 Year	19.45%	20.08%
Since inception @	15.19%	12.83%

^ Past performance may or may not be sustained in the future, returns are compounded annualised (CAGR).

Benchmark index: ISEC - LIBEX

@ Date of Inception: August 01, 2013

Since inception returns of the scheme has outperformed the benchmark returns.

AUM and Asset Mix

The net assets of the Scheme as on March 31, 2015 stood at ₹ 29.60 lakhs.

As on March 31, 2015, 96.85% of the net assets were invested in government securities and 3.15% in money market instruments and cash/cash equivalent & net current assets.

SCHEME NPS LITE

During the period ended March 31, 2015, there was no subscriptions received in Scheme NPS Lite, hence Financial Statements for this scheme have not been prepared.

Disclaimer:

Since the Schemes permit investments in shares, bonds, debentures and other scripts or securities whose value can fluctuate, the price and redemption value of the units of the Schemes and income from them can go up as well as come down with the fluctuations in the market value of these underlying investments.

Further, the views expressed under Economic Scenario are considering the current environment.

5. INVESTMENT OBJECTIVE OF THE SCHEME

The investment objective of the Scheme(s) managed by HDFC Pension Management Company Limited during the year under review is as under :

Sr. No	Name of The Scheme	Investment Objective
1	SCHEME E TIER I	The Investment objective is to optimise returns while investing in the NSE Nifty 50 Index over a rolling annual basis.
2	SCHEME E TIER II	The investment objective is to optimise returns while investing in the NSE Nifty 50 Index over a rolling annual basis.
3	SCHEME C TIER I	The investment objective is to optimise returns by investing in the chosen asset class.
4	SCHEME C TIER II	The investment objective is to optimise returns by investing in the chosen asset class.
5	SCHEME G TIER I	The investment objective is to optimise returns by investing in the chosen asset class.
6	SCHEME G TIER II	The investment objective is to optimise returns by investing in the chosen asset class.

6. LIABILITIES AND RESPONSIBILITIES OF THE COMPANY

The Company has been appointed by PFRDA as a pension fund manager for management of investments of the Schemes referred above and, in that capacity, makes investment decisions and manages the Scheme in accordance with the Investment Guidelines, Scheme Objectives, Investment Management Agreement (IMA) and provisions given under the PFRDA guidelines /regulation /rules. The transactions entered into by the Company are in accordance with the PFRDA Guidelines, IMA and the code of ethics prescribed by the Trustees.

The Company has exercised necessary due diligence and vigilance in carrying out its duties of IMA and in protecting the rights and interests of the subscribers. Investment decisions have been taken with emphasis on safety and optimum returns. The Company has not dealt in any speculative transactions in dealing for investments. The Company will be responsible for the acts of omissions or commissions of its employees or the persons whose services have been procured by the Company.

7. FINANCIAL STATEMENTS OF THE SCHEMES

- a) SCHEME E TIER I - Equity market instruments
 - b) SCHEME E TIER II - Equity market instruments
 - c) SCHEME C TIER I - Credit risk bearing fixed income instruments
 - d) SCHEME C TIER II - Credit risk bearing fixed income instruments
 - e) SCHEME G TIER I - Government securities
 - f) SCHEME G TIER II - Government securities
-



NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

Financial Statements together with Auditors' Report

For the Financial year ended March 31, 2015

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Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

INDEPENDENT AUDITORS' REPORT

To,

The Board of Trustees
National Pension System (NPS) Trust
1st Floor, ICADR Building,
6, Vasant Kunj Institutional Area- Phase II,
New Delhi 110 070

Report on Financial Statements

1. We have audited the accompanying financial statements of **NPS Trust A/c HDFC Pension Fund Scheme E – Tier I under the National Pension System Trust (NPS Trust)** managed by **HDFC Pension Management Company Ltd.** (PFM) which comprise of the Balance Sheet as at March 31, 2015 and the Revenue Account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management of the PFM, in accordance with the Pension Fund Regulatory and Development Authority (PFRDA) Guidelines and the Investment Management Agreement (IMA) with the NPS Trust, is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA to Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment or the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012 and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Scheme as of March 31, 2015;
 - b) in the case of the Revenue Account, of the surplus of the Scheme for the year ended on that date:

Emphasis of Matter

7. Without modifying our opinion, we invite attention to Note 2.9 of Schedule 7 in connection with litigation relating to granting of license to PFM to undertake pension management under the National Pension System by PFRDA.

Report on Other Legal and Regulatory Requirements

8. As required by the PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended, we report that:
 - a) We have obtained all information and explanations which to the best our knowledge and belief were necessary for the purpose of the audit.
 - b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
 - c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.

- d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
 - e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA.
9. We further certify that
- a) Investments have been valued in accordance with the guidelines issued by the Authority.
 - b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fee.

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Place: Mumbai
Dated:

Atul Shah
Partner
Membership No. 39569

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

BALANCE SHEET AS AT MARCH 31, 2015

(In ₹)

Particulars	Schedule	As at March 31, 2015	As at March 31, 2014
		Amount	Amount
Sources of funds			
Unitholders Funds			
Unit Capital	1	126,567,747	18,111,753
Reserves & Surplus	2	68,784,007	3,647,491
Current Liabilities and Provisions	3	19,572,264	495,300
Borrowings			
Total		214,924,018	22,254,544
Application of funds			
Investments (Long term and short term)	4	207,799,625	22,131,115
Deposits	5	-	-
Other Current Assets	6	7,124,393	123,429
Total		214,924,018	22,254,544
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		195,351,754	21,759,244
(b) Number of units outstanding		12,656,775	1,811,175
(c) NAV per unit (a)/(b) (₹) (Refer Schedule 7 Note 1.9)		15.4345	12.0138
Significant accounting policies and notes to accounts	7		

The notes referred to above form an integral part of the financial statements.

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

As per our report of even date

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Sumit Shukla
(Chief Executive Officer)

Nagesh Pai
(Company Secretary)

Atul Shah
(Partner)
Membership No.39569

Place : Mumbai

Date : April 16, 2015

For and on Behalf of NPS Trust

G.N. Bajpai
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2015

(In ₹)

Particulars	Schedule	For the year ended	For the period ended
		March 31, 2015	March 31, 2014 [^]
		Amount	Amount
Income & Gain			
Interest income		245	-
Dividend income		940,920	46,103
Profit on sale/redemption of investments (other than inter-scheme transfer/sale)		2,116,918	24,820
Unrealised gain on appreciation in investments		10,069,580	1,567,267
Total Income & Gain (A)		13,127,663	1,638,190
Expenses & Losses			
Unrealised losses in value of investments		972	-
Loss on sale/redemption of investments (other than inter-scheme transfer/sale)		319,206	5,853
Management fees		39,179	12,668
Custodian fees		6,916	357
CRA fees		360,323	15,968
Less : Amount recovered on sale of units on account of CRA Charges		(360,323)	(15,968)
Total Expenses & Losses (B)		366,273	18,878
Net income/(expenditure) for the year (A-B = C)		12,761,390	1,619,312
Balance at the beginning of the period		52,045	-
Net Unrealised appreciation in value of Investment transferred from/ (to) Unrealised Appreciation Reserve		(10,068,608)	(1,567,267)
Balance at the end of the year carried to Balance Sheet		2,744,827	52,045
Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis.		15.11%	24.10%
Total expenditure expressed as a percentage of average net assets, calculated on a daily basis.		0.05%	0.19%
Significant accounting policies and notes to accounts	7		

[^] The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.

The notes referred to above form an integral part of the financial statements.

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

As per our report of even date

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No.104767W

Sumit Shukla
(Chief Executive Officer)

Nagesh Pai
(Company Secretary)

Atul Shah
(Partner)
Membership No.39569

Place : Mumbai

Date : April 16, 2015

For and on Behalf of NPS Trust

G.N. Bajpai
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

Schedules forming part of the financial statements

Schedule 1: Unit capital

(In ₹)

Particulars	As at March 31, 2015		As at March 31, 2014 ^	
	Units	Amount	Units	Amount
Initial capital				
Unit capital				
Opening balance	1,811,175	18,111,753	-	-
Additions during the period	11,205,860	112,058,604	1,826,041	18,260,405
Deduction during the period	(360,261)	(3,602,610)	(14,865)	(148,652)
Closing balance	12,656,775	126,567,747	1,811,175	18,111,753

Schedule 2: Reserves and surplus

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014 ^
	Amount	Amount
Unit premium reserve		
Opening balance	2,028,179	-
Additions during the period	54,197,506	2,047,385
Deduction during the period	(1,822,380)	(19,206)
Closing balance	54,403,305	2,028,179
Unrealised Appreciation Reserve		
Opening balance	1,567,267	-
Change in net unrealised appreciation in value of investments	10,068,608	1,567,267
Closing balance	11,635,875	1,567,267
Surplus/(deficit) in Revenue account		
Opening balance	52,045	-
Additions during the period	2,692,782	52,045
Deduction during the period	-	-
Closing balance	2,744,827	52,045
General reserve*	-	-
Appropriation account*	-	-
Total	68,784,007	3,647,491

* The balances have been nil throughout the period

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014 ^
	Amount	Amount
Current liabilities		
Sundry creditors	6,983	13,025
Contracts for purchase of investments	19,381,349	453,945
Unit redemption payable	183,932	28,330
Provisions	-	-
Total	19,572,264	495,300

^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

Schedules forming part of the financial statements

Schedule 4: Investments

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Equity shares	192,208,111	21,100,143
Debentures and bonds	153,014	-
Others - Mutual funds	15,438,500	1,030,972
Total	207,799,625	22,131,115

Schedule 5: Deposits

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Deposits with scheduled banks	-	-
Others	-	-
Total	-	-

Schedule 6: Other current assets

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Balances with banks in current account	556	202
Sundry debtors	4,209,025	282
Contracts for sale of investments	2,855,306	109,600
Outstanding and accrued income	245	-
Shares/debentures/ others application money pending allotment	46,000	-
Others - Dividend receivable	13,261	13,345
Total	7,124,393	123,429

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

Schedule 7

Significant accounting policies & notes to accounts for the year ended March 31, 2015

1.1 Background

HDFC Pension Management Company Limited ('the Company') has been appointed as a Pension Fund Manager ('PFM') by the Pension Fund Regulatory and Development Authority ("PFRDA") for the management of Pension Schemes under the National Pension System ('NPS'). Accordingly, the Company has entered into an Investment Management Agreement ('IMA') with NPS Trust. The Pension Fund Regulatory and Development Authority ("PFRDA" / "Authority") guidelines require each PFM to manage subscribers' funds. As per unbundled architecture of the NPS, the main responsibility of PFM is to manage funds in accordance with the laid down guidelines and declare NAV. As per the architecture, the NSDL e-Governance Infrastructure Ltd., being the Central Recordkeeping Agency (CRA) provides consolidated data to PFM for allotment / redemption of units and Axis Bank, being the Trustee Bank, provides / receives funds on consolidated basis in respect of such allotment / redemption.

Central Record Keeping Agency (CRA): National Securities Depository Limited (NSDL) and PFRDA have set up Central Recordkeeping Agency (CRA) for the NPS

Some of the key responsibilities of the CRA include the following:

- Record keeping, Administration and Customer service function for NPS subscriber,
- Providing Unique Permanent Retirement Account Number (PRAN) to each subscriber,
- Maintaining database of all PRANs issued and recording transactions relating to each subscribers PRAN,
- PRAN Transaction Statement,
- An operational interface between PFRDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trust Bank etc.

CRA is responsible to resolve all queries pertaining to investors. CRA informs about the fund flow to Pension Fund Managers (PFM) and also instruct AXIS Bank to credit PFM's pool account maintained with them.

NPS trust has designated Stock Holding Corporation of India Ltd. (SHCIL) as the custodian, who is responsible for safe custody of securities and settlements of trades.

The fees payable to CRA, in terms of IMA, is charged to the investor by redeeming the equivalent number of units on receipt of intimation from CRA. As stated above, the amount of funds received from the subscribers is intimated by the Trustee Bank on consolidated basis on T+2 basis. PFM records the same on receipt basis. Accordingly, funds with Trustee Bank at the yearend do not get reflected in the financial statements.

1.2 Basis of preparation

The financial statements have been prepared to comply with the Pension Fund Regulatory and Development Authority Act, 2013, PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012, Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012 and generally accepted accounting principles. These financial statements have been prepared on an accrual basis, except as otherwise stated.

The financials have been prepared for SCHEME E TIER I being managed by the Company.

The Company manages six separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C and G based on the asset class prescribed under the NPS as follows:

Scheme E - Equity market instruments

Scheme C - Credit risk bearing fixed income instruments

Scheme G - Government securities

1.3 Investments

Transactions for purchase and sale of securities are accounted on trade date.

The holding cost of investments is determined by the weighted average cost method and the cost does not include brokerage and other transaction charges.

The cost of investments acquired or purchased includes applicable taxes and stamp charges but exclude brokerage and other transactional charges.

Investments are reconciled with the custodian records on daily basis.

Valuation of Investments

The scheme marks all investments to market and carries investments in the Balance Sheet at the market value as on Balance Sheet date / date of determination / date of valuation.

The change in unrealised appreciation/depreciation in the value of investments is determined separately for each assets category at the year-end and is recognised in the Revenue Account. The change in net unrealised appreciation, if any, is transferred to /from "Unrealised Appreciation Reserve" shown as part of Reserves and Surplus.

As per directive received from NPS Trust, the valuation of investments is carried out by Stock Holding Corporation of India Limited (SHCIL) effective April 1, 2011. The Investment valuation methodology adopted by SHCIL is as follows:

The following valuation norms are as prescribed by PFRDA (Preparation of Financial Statements and Auditor's Report of schemes under National Pension System) Guidelines - 2012.

Securities traded at a stock exchange:

The securities are valued at the daily close price on the stock exchange.

Listed equity shares are valued at market value, being the last quoted closing price on the National stock exchange (NSE). If they are not quoted on NSE, then the last quoted closing price on the Bombay stock exchange (BSE) is taken.

Non traded rights are valued at the difference of closing market price of the original equity share for the day and the offer price. Traded rights are valued at the closing market price of the rights renunciation till the time of application. In the event of application of rights, the rights entitlement would be valued at the closing market price of the original equity share till the date of allotment/listing.

Mutual fund units are valued based on the net asset values of the preceding day of the valuation date.

Securities not traded at a stock exchange:

Non-traded / thinly traded / privately placed equity securities including those not traded within thirty days are valued "in-good faith" on the basis of following valuation methods approved by the Authority/Trust:

Equity instruments are generally valued on the basis of capitalization of earnings solely or in combination with the net asset value, using for the purposes of capitalization, the price or earning ratios of comparable traded securities and with an appropriate discount for lower liquidity.

1.4 Income Recognition

Dividend Income is recognised on the "Ex-Dividend" date in case of listed equity shares.

Bonus entitled shares are recognised only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis. Rights entitlements are recognized only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-rights basis.

Profit or loss on sale of equity is the difference between the sale consideration net of expenses and the weighted average book cost as on the date of sale.

Profit or loss on sale of mutual fund units is the difference between the sale consideration net of expenses and the weighted average book cost.

Interest income on all interest bearing investment is recognised on daily accrual basis; when investments are purchased, interest paid for the period from the last interest due date upto the date of purchase is debited to Interest Recoverable Account and not included in cost of purchase. Similarly interest received at the time of sale for the period from the last interest due date upto the date of sale credited to Interest Recoverable Account and not included in sale value.

1.5 Units reconciliation

The subscribers' units as per Investment management system are reconciled with Central Recordkeeping Agency (CRA) records on daily basis.

1.6 Investment management fees

Investment management fees are recognised on daily accrual basis on closing Asset Under Management (AUM) in accordance with IMA. The Investment management fee is inclusive of brokerage but excludes custodian charges and applicable taxes, if any.

The Company has started charging investment management fee of 0.01% per annum (inclusive of brokerage but excluding custodian charges and applicable taxes), with effect from August 01, 2014, in terms of the Pension Fund Regulatory and Development Authority's circular no. PFRDA/6/PFM/9/2 dated July 31, 2014.

The investment management fees charged until July 31, 2014 was 0.25% per annum (inclusive of brokerage but excluding custodian charges and applicable taxes), in terms of the Pension Fund Regulatory and Development Authority's circular no. PFRDA/CIR/1/PFM/1.

1.7 Other Expenses

Custody charges are recognised on daily accrual basis in accordance with IMA. Trustee bank charges, if any, are recognised when they are debited by the trustee bank on a quarterly basis.

1.8 Unit Premium Reserve

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the Unit Premium Reserve of the Scheme.

1.9 NAV

NAV disclosed in the Balance Sheet for the previous year is as of March 31, 2014 however, for the FY 2013-14, the last business day was March 28, 2014 and hence, the last declared NAV was as of March 28, 2014.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

Notes to accounts

2.1 Contingent liabilities

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Uncalled liability on partly paid shares	-	-
Other commitments	-	-

2.2 Investments

All investments are performing investments. All investments of the scheme are in the name of the NPS Trust. All investments are traded investments.

2.3 Details of transactions with sponsor and its related parties

Nature of relationship	Name of the related party
Pension fund manager	HDFC Pension Management Company Limited
Sponsor company	HDFC Standard Life Insurance Company Limited
Associates and group companies	
Holding Company	HDFC Limited
Mr. Amitabh Chaudhry	Key Management Personnel
Ms. Vibha Padalkar	Key Management Personnel
Mr. Sumit Shukla	Key Management Personnel

The following represents significant transactions between the Company and its related parties for the year ended March 31, 2015

(In ₹)

Nature of Transaction	For the year ended March 31, 2015	For the period ended March 31, 2014 ^
	Amount	Amount
Investment management fees	39,179	11,274

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Investment management fees payable	3,504	11,274

^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.

Aggregate investments made in the Associates and group companies as at March 31, 2015 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2015		As at March 31, 2014	
		Cost	Market Value	Cost	Market Value
HDFC Ltd	Equity	11,528,319	13,549,079	1,180,880	1,296,681

Investment with other Group Companies

Nature of relationship	Name of the related party
Associates of Holding Company	HDFC Bank Limited

Aggregate investments made in the other group companies as at March 31, 2015 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2015		As at March 31, 2014	
		Cost	Market Value	Cost	Market Value
HDFC Bank Ltd	Equity	11,584,357	13,068,061	1,134,522	1,293,926

2.4 Provision

There are no provisions for doubtful deposits, debts and outstanding and accrued income.

2.5 Aggregate value of purchase and sale with percentage to average assets

Aggregate value of purchase and sale with percentage to average assets as at March 31, 2015 is as follows :

(In ₹)

Particular	For the year ended March 31, 2015	For the period ended March 31, 2014
Average Net Asset Value	84,738,577	6,774,047
Purchase of Investment	441,710,176	55,145,287
% to average Net Assets Value	521.00%	814.07%
Sale of Investment	267,823,153	34,590,439
% to average Net Assets Value	316.00%	510.63%

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

Notes to accounts

Aggregate value of purchase and sale (excluding liquid mutual fund)* with percentage to average assets as at March 31, 2015 is as follows :

Particular	(In ₹)	
	For the year ended March 31, 2015	For the period ended March 31, 2014
Average Net Asset Value	84,738,577	6,774,047
Purchase of Investment	176,565,876	19,690,645
% to average Net Assets Value	208.00%	290.68%
Sale of Investment	16,984,580	149,771
% to average Net Assets Value	20.00%	2.21%

*Liquid mutual fund investments are held for day to day cash management, hence excluded

2.6 Investments falling under each major industry group

The total value of investments falling under each major industry group (which constitutes not less than 5% of the total investments in the major classification of the financials) are disclosed as under:

Industry Classification	As at March 31, 2015		As at March 31, 2014	
	Market value	% of Industry Classification	Market value	% of Industry Classification
Monetary intermediation of commercial / saving / postal banks	46,139,388	23.62%	4,291,979	19.72%
Writing , modifying, testing of computer program	31,427,885	16.09%	3,495,019	16.06%
Activities of specialized institutions granting credit for house purchases	13,549,077	6.94%	1,296,680	5.96%
Manufacture of allopathic pharmaceutical preparations	13,322,303	6.82%	1,119,644	5.15%
Manufacture of cigarettes, cigarette tobacco	11,953,154	6.12%	1,834,114	8.43%
Manufacture of refined petroleum products	8,730,820	4.47%	1,425,909	6.55%
Others (Industries constitute less than 5%)	67,238,498	34.42%	7,636,798	35.10%
Mutual Funds	15,438,500	7.90%	1,030,972	4.74%
Net Current Assets	(12,447,871)	-6.37%	(371,871)	-1.71%
Net Asset Value	195,351,754	100.00%	21,759,244	100.00%

Note :

- 1) Industry classification has been taken at sub class level of National Industrial Classification (NIC) 2008.
- 2) Previous year's figures are regrouped basis the current year's industry exposure.

2.7 Age wise disclosure for Shares/debentures/ others application money pending allotment.

Security Name	Asset Type	Ageing	(In ₹)	
			As at March 31, 2015	As at March 31, 2014
ICICI Prudential Liquid - Direct Plan - Growth.	Liquid Mutual Fund	Less than 7 Days	46,000	NIL

2.8 Prior Year Comparatives :

The Figures of the previous period have been regrouped / rearranged, wherever applicable, to confirm current year's presentation.

2.9 Note on status of litigation matters with PFRDA

In January 2014, a Request for Proposal (RFP) was floated by the PFRDA seeking fresh bids for selection of pension fund managers afresh to manage the pension funds. In response to the RFP, HDFC Life (the Sponsor) submitted its technical and commercial bid to be selected as a Sponsor. The technical bid made under RFP was opened in April 2014 and the bid submitted by the Sponsor was not accepted by the PFRDA on technical grounds of not having profitability for a period of 3 years at the time of submission of the bid. The Sponsor along with the Company, therefore, filed a Writ Petition before the Hon'ble High Court of Delhi, challenging the said rejection. The Hon'ble High Court of Delhi by its Order dated May 15, 2014 quashed and set aside the PFRDA's rejection of the Sponsor's bid and directed the PFRDA to evaluate the bid in accordance with the steps set out in the RFP. Pursuant thereto, while the PFRDA cleared the Sponsor's technical and commercial bid and the Sponsor even agreed to match the lowest commercial bid, the PFRDA declined to grant the Sponsor a Letter of Appointment.

The Sponsor along with the Company, therefore, filed a Writ Petition before the Hon'ble High Court of Delhi, which, vide its Order dated December 18, 2014 set aside the rejection of the Sponsor's bid and directed the PFRDA to grant HDFC Life a Letter of Appointment to act as a Sponsor. Subsequently, the PFRDA has filed a Special Leave Petition before the Hon'ble Supreme Court of India challenging the above said Order dated December 18, 2014. The Hon'ble Supreme Court has, by its Order dated March 9, 2015, refused to grant the PFRDA any ad-interim relief and has also directed the Sponsor to file its counter affidavit to the Petition. The matter is presently pending hearing. On March 27, 2015, complying with the High Court order, the PFRDA has issued a Letter of Appointment in favour of the Sponsor, stating inter alia that such appointment is subject to the outcome of the above proceedings filed before the Hon'ble Supreme Court. Further, as per the opinion obtained by the Company in this regard from a legal expert, the Company stands a fairly good chance of succeeding in the matter.

It may be noted that this would not have any impact on the subscriber as the assets and funds of the subscribers of National Pension System are held by NPS Trust, while HDFC Pension acts as a Fund Manager only.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

3 PORTFOLIO STATEMENT AS ON MARCH 31, 2015

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Equity Shares	Infosys Ltd	6,596	14,632,236	7.49%
	Housing Devt Finance Corpn Ltd.	10,298	13,549,078	6.94%
	HDFC Bank Ltd	12,778	13,068,060	6.69%
	ITC Ltd	36,683	11,953,155	6.12%
	ICICI Bank Ltd.	37,711	11,897,820	6.09%
	Larsen & Toubro Ltd	5,364	9,224,202	4.72%
	Reliance Industries Ltd.	10,570	8,730,819	4.47%
	Tata Consultancy Services Ltd	3,386	8,647,674	4.43%
	Tata Motors Ltd	11,475	6,313,545	3.23%
	Axis Bank Ltd	10,999	6,161,640	3.15%
	State Bank of India	20,143	5,379,188	2.75%
	Sun Pharmaceuticals Industries Ltd	4,870	4,986,393	2.55%
	Hindustan Unilever Ltd	4,561	3,984,262	2.04%
	Kotak Mahindra Bank Ltd	2,811	3,691,546	1.89%
	Oil & Natural Gas Corporation Ltd	11,683	3,579,087	1.83%
	Mahindra & Mahindra Ltd	3,009	3,574,090	1.83%
	Bharati Airtel Ltd	9,052	3,560,152	1.82%
	HCL Technologies Ltd.	3,578	3,507,871	1.80%
	Maruti Suzuki India Ltd	854	3,157,537	1.62%
	Lupin Ltd.	1,554	3,121,054	1.60%
	Coal India Ltd.	8,317	3,018,239	1.55%
	Dr Reddys Laboratories Ltd.	818	2,853,798	1.46%
	Tech Mahindra Ltd	4,228	2,662,372	1.36%
	IndusInd Bank Ltd.	2,830	2,507,380	1.28%
	UltraTech Cement Ltd.	862	2,480,750	1.27%
	Asian Paints (India) Ltd.	2,944	2,388,467	1.22%
	Cipla Ltd	3,314	2,361,059	1.21%
	Power Grid Corporation of India Ltd.	14,336	2,082,304	1.07%
	Hero Motocorp Ltd.	787	2,077,523	1.06%
	National Thermal Power Corporation Ltd.	13,754	2,019,775	1.03%
	Wipro Ltd	3,145	1,977,733	1.01%
	Bajaj Auto Ltd.	886	1,786,708	0.91%
	Yes Bank Ltd	2,123	1,731,837	0.89%
	Grasim Industries Ltd.	417	1,510,520	0.77%
	Infrastructure Development Finance Company Ltd.	8,705	1,453,300	0.74%
	Bharat Heavy Electricals Ltd	5,963	1,403,392	0.72%
	Tata Steel Ltd	4,375	1,385,781	0.71%
	Sesa Goa Ltd.	7,128	1,350,756	0.69%
	Idea Cellular Ltd	7,328	1,348,352	0.69%
	Bharat Petroleum Corporation Ltd.	1,624	1,316,739	0.67%
	Ambuja Cements Ltd.	5,042	1,287,223	0.66%
	Zee Entertainment Enterprises Ltd.	3,616	1,235,768	0.63%
	Gas Authority of India Ltd.	2,992	1,160,298	0.59%
	Hindalco Industries Ltd.	8,394	1,082,826	0.55%
Bank of Baroda	6,087	995,225	0.51%	
Associated Cement Co Ltd	618	965,780	0.49%	
Tata Power Co. Ltd.	11,468	884,183	0.45%	
Cairn India Ltd.	3,703	791,887	0.41%	
Punjab National Bank.	4,894	706,694	0.36%	
National Mineral Development Corporation Ltd.	5,142	662,033	0.34%	
Equity Shares Total		353,815	192,208,111	98.39%
Non-convertible Debenture	8.49% NTPC NCD Mat 25-Mar-2025	12,057	153,014	0.08%
Non-convertible Debenture Total		12,057	153,014	0.08%
Mutual Fund Units	ICICI Prudential Liquid - Direct Plan - Growth.	74,581	15,438,500	7.90%
Mutual Fund Units Total		74,581	15,438,500	7.90%
Net Current Assets		-	(12,447,871)	-6.37%
Grand Total		440,453	195,351,754	100.00%

Note :

The Company has been holding the Equity Shares of NTPC Limited ("NTPC") in Scheme E - Tier I. Pursuant to a Scheme of Arrangement, NTPC has issued Secured, Non-Cumulative, Non-Convertible, Redeemable, Taxable Fully Paid-up debentures, having face value of Rs 12.50 each and a tenor of 10 years, as bonus to its shareholders in the ratio of 1:1. In view of the same, currently, the bonus debentures are held in Scheme E-Tier- I. The company will liquidate the said debentures in the market as when the opportunity arises or will be transferred to Scheme C post clarification from PFRDA.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

3.1 KEY STATISTICS FOR THE YEAR ENDED MARCH 31, 2015

Sr No	Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014 ^
1	NAV per unit (₹) I		
	Open	11.9990	9.9999
	High	16.3311	11.999
	Low	11.9332	9.4795
	End @	15.4345	11.999
2	Closing Assets Under Management (₹ in Lakhs)		
	End	1,953.52	217.59
	Average daily net assets (AAuM) II	847.39	67.74
3	Gross income as % of AAuM III	15.49%	24.18%
4	Expense ratio		
a	Total expense as % of AAuM (scheme wise) IV	0.05%	0.19%
b	Management fee as % of AAuM (scheme wise) V	0.05%	0.28%
5	Net income as % of AAuM VI	15.06%	23.90%
6	Portfolio turnover ratio VII	20.04%	2.21%
7	Total dividend per unit distributed during the year	N.A.	N.A.
8	Returns: (%)		
a	Last one year	28.63%	N.A.
	Benchmark	28.33%	N.A.
b	Since inception	54.35%	19.99%
	Benchmark	50.74%	17.47%
c	Compound annualised yield (%) VIII		
	Last 1 year	28.63%	N.A.
	Last 3 years	N.A.	N.A.
	Last 5 years	N.A.	N.A.
	Since launch of the scheme	29.82%	32.09%
	Launch Date	August 01, 2013	
I	NAV = (Market value of investment held by scheme + value of current assets - value of current liability and provisions, if any) / (no. of units at the valuation date (before creation/ redemption of units))		
II	AAuM = Average daily net assets		
III	Gross income = Income includes Interest, Dividend, Realised/Unrealised Gain		
IV	Total expenses = Expenses include management fees, custody fees, trustee bank charges but excludes Unrealised /Realised loss		
V	Management fee as % of AAuM is annualised		
VI	Net income = Total income less Total expenses and losses		
VII	Portfolio turnover = Lower of sales or purchase divided by the average AUM for the period. Investments in liquid mutual fund is excluded from the turnover as the same is primarily for liquidity management		
VIII	Compounded annualised yield is to be calculated based on following formula: = (1+ cumulative return) ⁿ -1 (where n=365/no. of days)		
	@ The declared NAV of March 28, 2014 is considered for the previous year, as NAV for March 31, 2014 was not declared on account of holiday.		
	^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.		



NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II

Financial Statements together with Auditors' Report

For the Financial year ended March 31, 2015

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Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

INDEPENDENT AUDITORS' REPORT

To,

The Board of Trustees
National Pension System (NPS) Trust
1st Floor, ICADR Building,
6, Vasant Kunj Institutional Area- Phase II,
New Delhi 110 070

Report on Financial Statements

1. We have audited the accompanying financial statements of **NPS Trust A/c HDFC Pension Fund Scheme E – Tier II under the National Pension System Trust (NPS Trust)** managed by **HDFC Pension Management Company Ltd.** (PFM) which comprise of the Balance Sheet as at March 31, 2015 and the Revenue Account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management of the PFM, in accordance with the Pension Fund Regulatory and Development Authority (PFRDA) Guidelines and the Investment Management Agreement (IMA) with the NPS Trust, is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA to Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment or the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012 and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Scheme as of March 31, 2015;
 - b) in the case of the Revenue Account, of the surplus of the Scheme for the year ended on that date:

Emphasis of Matter

7. Without modifying our opinion, we invite attention to Note 2.8 of Schedule 7 in connection with litigation relating to granting of license to PFM to undertake pension management under the National Pension System by PFRDA.

Report on Other Legal and Regulatory Requirements

8. As required by the PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended, we report that:
 - a) We have obtained all information and explanations which to the best our knowledge and belief were necessary for the purpose of the audit.
 - b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
 - c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.

- d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
 - e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA.
9. We further certify that
- a) Investments have been valued in accordance with the guidelines issued by the Authority.
 - b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fee.

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Place: Mumbai
Dated:

Atul Shah
Partner
Membership No. 39569

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II

BALANCE SHEET AS AT MARCH 31, 2015

(In ₹)

Particulars	Schedule	As at March 31, 2015	As at March 31, 2014
		Amount	Amount
Sources of funds			
Unitholders Funds			
Unit Capital	1	4,068,912	455,258
Reserves & Surplus	2	1,322,675	36,655
Current Liabilities and Provisions	3	84,318	11,478
Borrowings		-	-
Total		5,475,905	503,391
Application of funds			
Investments (Long term and short term)	4	5,369,660	500,812
Deposits	5	-	-
Other Current Assets	6	106,245	2,579
Total		5,475,905	503,391
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		5,391,587	491,913
(b) Number of units outstanding		406,891	45,526
(c) NAV per unit (a)/(b) (₹) (Refer Schedule 7 Note 1.9)		13.2506	10.8051
Significant accounting policies and notes to accounts	7		

The notes referred to above form an integral part of the financial statements.

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

As per our report of even date

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Sumit Shukla
(Chief Executive Officer)

Nagesh Pai
(Company Secretary)

Atul Shah
(Partner)
Membership No.39569

Place : Mumbai
Date : April 16, 2015

For and on Behalf of NPS Trust

G.N. Bajpai
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :
Date :

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2015

(In ₹)

Particulars	Schedule	For the year ended	For the period ended
		March 31, 2015	March 31, 2014 ^
		Amount	Amount
Income & Gain			
Interest income		6	-
Dividend income		19,601	149
Profit on sale/redemption of investments (other than inter-scheme transfer/sale)		28,320	7,124
Unrealised gain on appreciation in investments		209,413	8,477
Total Income & Gain (A)		257,340	15,750
Expenses & Losses			
Unrealised losses in value of investments		42	-
Loss on sale/redemption of investments (other than inter-scheme transfer/sale)		4,983	-
Management fees		967	247
Custodian fees		132	3
CRA fees		2,849	85
Less : Amount recovered on sale of units on account of CRA Charges		(2,849)	(85)
Total Expenses & Losses (B)		6,124	250
Net income/(expenditure) for the year (A-B = C)		251,216	15,500
Balance at the beginning of the period		7,023	-
Net Unrealised appreciation in value of Investment transferred from/ (to) Unrealised Appreciation Reserve		(209,371)	(8,477)
Balance at the end of the period carried to Balance Sheet		48,868	7,023
Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis.		12.20%	11.93%
Total expenditure expressed as a percentage of average net assets, calculated on a daily basis.		0.05%	0.19%
Significant accounting policies and notes to accounts	7		

^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.

The notes referred to above form an integral part of the financial statements.

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

As per our report of even date

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No.104767W

Sumit Shukla
(Chief Executive Officer)

Nagesh Pai
(Company Secretary)

Atul Shah
(Partner)
Membership No.39569

Place : Mumbai

Date : April 16, 2015

For and on Behalf of NPS Trust

G.N. Bajpai
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :
Date :

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II

Schedules forming part of the financial statements

Schedule 1: Unit capital

(In ₹)

Particulars	As at March 31, 2015		As at March 31, 2014 ^	
	Units	Amount	Units	Amount
Initial capital				
Unit capital				
Opening balance	45,526	455,258	-	-
Additions during the period	390,187	3,901,873	45,778	457,780
Deduction during the period	(28,822)	(288,219)	(252)	(2,522)
Closing balance	406,891	4,068,912	45,526	455,258

Schedule 2: Reserves and surplus

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014 ^
	Amount	Amount
Unit premium reserve		
Opening balance	21,155	-
Additions during the period	1,119,729	21,293
Deduction during the period	(84,925)	(138)
Closing balance	1,055,959	21,155
Unrealised Appreciation Reserve		
Opening balance	8,477	-
Change in net unrealised appreciation in value of investments	209,371	8,477
Closing balance	217,848	8,477
Surplus/(deficit) in Revenue account		
Opening balance	7,023	-
Additions during the period	41,845	7,023
Deduction during the period	-	-
Closing balance	48,868	7,023
General reserve*	-	-
Appropriation account*	-	-
Total	1,322,675	36,655

* The balances have been nil throughout the period

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014 ^
	Amount	Amount
Current liabilities		
Sundry creditors	174	250
Contracts for purchase of investments	82,431	10,807
Unit redemption payable	1,713	421
Provisions	-	-
Total	84,318	11,478

^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II

Schedules forming part of the financial statements

Schedule 4: Investments

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Equity shares	5,150,764	456,265
Debentures and bonds	3,896	-
Others - Mutual funds	215,000	44,547
Total	5,369,660	500,812

Schedule 5: Deposits

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Deposits with scheduled banks	-	-
Others	-	-
Total	-	-

Schedule 6: Other current assets

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Balances with banks in current account	1,519	142
Sundry debtors	82,431	6
Contracts for sale of investments	21,915	2,282
Outstanding and accrued income	6	-
Others - Dividend receivable	374	149
Total	106,245	2,579

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II

Schedule 7

Significant accounting policies & notes to accounts for the year ended March 31, 2015

1.1 Background

HDFC Pension Management Company Limited ('the Company') has been appointed as a Pension Fund Manager ('PFM') by the Pension Fund Regulatory and Development Authority ("PFRDA") for the management of Pension Schemes under the National Pension System ('NPS'). Accordingly, the Company has entered into an Investment Management Agreement ('IMA') with NPS Trust. The Pension Fund Regulatory and Development Authority ("PFRDA" / "Authority") guidelines require each PFM to manage subscribers' funds. As per unbundled architecture of the NPS, the main responsibility of PFM is to manage funds in accordance with the laid down guidelines and declare NAV. As per the architecture, the NSDL e-Governance Infrastructure Ltd., being the Central Recordkeeping Agency (CRA) provides consolidated data to PFM for allotment / redemption of units and Axis Bank, being the Trustee Bank, provides / receives funds on consolidated basis in respect of such allotment / redemption.

Central Record Keeping Agency (CRA): National Securities Depository Limited (NSDL) and PFRDA have set up Central Recordkeeping Agency (CRA) for the NPS

Some of the key responsibilities of the CRA include the following:

- Recording keeping, Administration and Customer service function for NPS subscriber,
- Providing Unique Permanent Retirement Account Number (PRAN) to each subscriber,
- Maintaining database of all PRANs issued and recording transactions relating to each subscribers PRAN,
- PRAN Transaction Statement,
- An operational interface between PFRDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trust Bank etc.

CRA is responsible to resolve all queries pertaining to investors. CRA informs about the fund flow to Pension Fund Managers (PFM) and also instruct AXIS Bank to credit PFM's pool account maintained with them.

NPS trust has designated Stock Holding Corporation of India Ltd. (SHCIL) as the custodian, who is responsible for safe custody of securities and settlements of trades.

The fees payable to CRA, in terms of IMA, is charged to the investor by redeeming the equivalent number of units on receipt of intimation from CRA. As stated above, the amount of funds received from the subscribers is intimated by the Trustee Bank on consolidated basis on T+2 basis. PFM records the same on receipt basis. Accordingly, funds with Trustee Bank at the yearend do not get reflected in the financial statements.

1.2 Basis of preparation

The financial statements have been prepared to comply with the Pension Fund Regulatory and Development Authority Act, 2013, PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012, Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012 and generally accepted accounting principles. These financial statements have been prepared on an accrual basis, except as otherwise stated.

The financials have been prepared for SCHEME E TIER II being managed by the Company.

The Company manages six separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C and G based on the asset class prescribed under the NPS as follows:

Scheme E - Equity market instruments

Scheme C - Credit risk bearing fixed income instruments

Scheme G - Government securities

1.3 Investments

Transactions for purchase and sale of securities are accounted on trade date.

The holding cost of investments is determined by the weighted average cost method and the cost does not include brokerage and other transaction charges.

The cost of investments acquired or purchased includes applicable taxes and stamp charges but exclude brokerage and other transactional charges.

Investments are reconciled with the custodian records on daily basis.

Valuation of Investments

The scheme marks all investments to market and carries investments in the Balance Sheet at the market value as on Balance Sheet date / date of determination / date of valuation.

The change in unrealised appreciation/depreciation in the value of investments is determined separately for each assets category at the year-end and is recognised in the Revenue Account. The change in net unrealised appreciation, if any, is transferred to /from "Unrealised Appreciation Reserve" shown as part of Reserves and Surplus.

As per directive received from NPS Trust, the valuation of investments is carried out by Stock Holding Corporation of India Limited (SHCIL) effective April 1, 2011. The Investment valuation methodology adopted by SHCIL is as follows:

The following valuation norms are as prescribed by PFRDA (Preparation of Financial Statements and Auditor's Report of schemes under National Pension System) Guidelines - 2012.

Securities traded at a stock exchange:

The securities are valued at the daily close price on the stock exchange.

Listed equity shares are valued at market value, being the last quoted closing price on the National stock exchange (NSE). If they are not quoted on NSE, then the last quoted closing price on the Bombay stock exchange (BSE) is taken.

Non traded rights are valued at the difference of closing market price of the original equity share for the day and the offer price. Traded rights are valued at the closing market price of the rights renunciation till the time of application. In the event of application of rights, the rights entitlement would be valued at the closing market price of the original equity share till the date of allotment/listing.

Mutual fund units are valued based on the net asset values of the preceding day of the valuation date.

Securities not traded at a stock exchange:

Non-traded / thinly traded / privately placed equity securities including those not traded within thirty days are valued "in-good faith" on the basis of following valuation methods approved by the Authority/Trust:

Equity instruments are generally valued on the basis of capitalization of earnings solely or in combination with the net asset value, using for the purposes of capitalization, the price or earning ratios of comparable traded securities and with an appropriate discount for lower liquidity.

1.4 Income Recognition

Dividend Income is recognised on the "Ex-Dividend" date in case of listed equity shares.

Bonus entitled shares are recognised only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis. Rights entitlements are recognized only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-rights basis.

Profit or loss on sale of equity is the difference between the sale consideration net of expenses and the weighted average book cost as on the date of sale.

Profit or loss on sale of mutual fund units is the difference between the sale consideration net of expenses and the weighted average book cost.

Interest income on all interest bearing investment is recognised on daily accrual basis; when investments are purchased, interest paid for the period from the last interest due date upto the date of purchase is debited to Interest Recoverable Account and not included in cost of purchase. Similarly interest received at the time of sale for the period from the last interest due date upto the date of sale credited to Interest Recoverable Account and not included in sale value.

1.5 Units reconciliation

The subscribers' units as per Investment management system are reconciled with Central Recordkeeping Agency (CRA) records on daily basis.

1.6 Investment management fees

Investment management fees are recognised on daily accrual basis on closing Asset Under Management (AUM) in accordance with IMA. The Investment management fee is inclusive of brokerage but excludes custodian charges and applicable taxes, if any.

The Company has charged investment management fee of 0.01% per annum (inclusive of brokerage but excluding custodian charges and applicable taxes), with effect from August 01, 2014, in terms of the Pension Fund Regulatory and Development Authority's circular no. PFRDA/6/PFM/9/2 dated July 31, 2014.

The investment management fees charged until July 31, 2014 was 0.25% per annum (inclusive of brokerage but excluding custodian charges and applicable taxes), in terms of the Pension Fund Regulatory and Development Authority's circular no. PFRDA/CIR/1/PFM/1.

1.7 Other Expenses

Custody charges are recognised on daily accrual basis in accordance with IMA. Trustee bank charges, if any, are recognised when they are debited by the trustee bank on a quarterly basis.

1.8 Unit Premium Reserve

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the Unit Premium Reserve of the Scheme.

1.9. NAV

NAV disclosed in the Balance Sheet for the previous year is as of March 31, 2014 however, for the FY 2013-14, the last business day was March 28, 2014 and hence, the last declared NAV was as of March 28, 2014.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II

Notes to accounts

2.1 Contingent liabilities

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Uncalled liability on partly paid shares	-	-
Other commitments	-	-

2.2 Investments

All investments are performing investments. All investments of the scheme are in the name of the NPS Trust. All investments are traded investments.

2.3 Details of transactions with sponsor and its related parties

Nature of relationship	Name of the related party
Pension fund manager	HDFC Pension Management Company Limited
Sponsor company	HDFC Standard Life Insurance Company Limited
Associates and group companies	
Holding Company	HDFC Limited
Mr. Amitabh Chaudhry	Key Management Personnel
Ms. Vibha Padalkar	Key Management Personnel
Mr. Sumit Shukla	Key Management Personnel

The following represents significant transactions between the Company and its related parties for the year ended March 31, 2015

(In ₹)

Nature of Transaction	For the year ended March 31, 2015	For the period ended March 31, 2014 ^
	Amount	Amount
Investment management fees	967	220

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Investment management fees payable	88	220

^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.

Aggregate investments made in the Associates and group companies as at March 31, 2015 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2015		As at March 31, 2014	
		Cost	Market Value	Cost	Market Value
HDFC Ltd	Equity	312,408	357,870	27,224	28,285

Investment with other Group Companies

Nature of relationship	Name of the related party
Associates of Holding Company	HDFC Bank Limited

Aggregate investments made in the other group companies as at March 31, 2015 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2015		As at March 31, 2014	
		Cost	Market Value	Cost	Market Value
HDFC Bank Ltd	Equity	323,800	347,718	27,663	27,706

2.4 Provision

There are no provisions for doubtful deposits, debts and outstanding and accrued income.

2.5 Aggregate value of purchase and sale with percentage to average assets

Aggregate value of purchase and sale with percentage to average assets as at March 31, 2015 is as follows :

(In ₹)

Particular	For the year ended March 31, 2015	For the period ended March 31, 2014
Average Net Asset Value	2,068,323	132,028
Purchase of Investment	13,472,915	2,564,139
% to average Net Assets Value	651.00%	1942.11%
Sale of Investment	8,834,482	2,078,702
% to average Net Assets Value	427.00%	1574.44%

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II

Notes to accounts

Aggregate value of purchase and sale (excluding liquid mutual fund)* with percentage to average assets as at March 31, 2015 is as follows :

Particular	(In ₹)	
	For the year ended March 31, 2015	For the period ended March 31, 2014
Average Net Asset Value	2,068,323	132,028
Purchase of Investment	4,556,115	450,294
% to average Net Assets Value	220.00%	341.06%
Sale of Investment	65,212	2,282
% to average Net Assets Value	3.00%	1.73%

*Liquid mutual fund investments are held for day to day cash management, hence excluded

2.6 Investments falling under each major industry group

The total value of investments falling under each major industry group (which constitutes not less than 5% of the total investments in the major classification of the financials) are disclosed as under:

Industry Classification	As at March 31, 2015		As at March 31, 2014	
	Market value	% of Industry Classification	Market value	% of Industry Classification
	Monetary intermediation of commercial / saving / postal banks	1,243,121	23.06%	91,989
Writing , modifying, testing of computer program	845,828	15.69%	74,951	15.24%
Activities of specialized institutions granting credit for house purchases	357,869	6.64%	28,285	5.75%
Manufacture of allopathic pharmaceutical preparations	355,612	6.60%	25,380	5.16%
Manufacture of cigarettes, cigarette tobacco	319,659	5.93%	39,519	8.03%
Manufacture of refined petroleum products	237,062	4.40%	30,715	6.24%
Others (Industries constitute less than 5%)	1,795,509	33.30%	165,426	33.63%
Mutual Funds	215,000	3.99%	44,547	9.06%
Net Current Assets	21,927	0.41%	(8,899)	-1.81%
Net Asset Value	5,391,587	100.00%	491,913	100.00%

Note :

- 1) Industry classification has been taken at sub class level of National Industrial Classification (NIC) 2008.
- 2) Previous year's figures are regrouped basis the current year's industry exposure

2.7 Prior Year Comparatives :

The Figures of the previous period have been regrouped / rearranged, wherever applicable, to confirm current year's presentation.

2.8 Note on status of litigation matters with PFRDA

In January 2014, a Request for Proposal ('RFP') was floated by the PFRDA seeking fresh bids for selection of pension fund managers afresh to manage the pension funds. In response to the RFP, HDFC Life ('the Sponsor') submitted its technical and commercial bid to be selected as a Sponsor. The technical bid made under RFP was opened in April 2014 and the bid submitted by the Sponsor was not accepted by the PFRDA on technical grounds of not having profitability for a period of 3 years at the time of submission of the bid. The Sponsor along with the Company, therefore, filed a Writ Petition before the Hon'ble High Court of Delhi, challenging the said rejection. The Hon'ble High Court of Delhi by its Order dated May 15, 2014 quashed and set aside the PFRDA's rejection of the Sponsor's bid and directed the PFRDA to evaluate the bid in accordance with the steps set out in the RFP. Pursuant thereto, while the PFRDA cleared the Sponsor's technical and commercial bid and the Sponsor even agreed to match the lowest commercial bid, the PFRDA declined to grant the Sponsor a Letter of Appointment.

The Sponsor along with the Company, therefore, filed a Writ Petition before the Hon'ble High Court of Delhi, which, vide its Order dated December 18, 2014 set aside the rejection of the Sponsor's bid and directed the PFRDA to grant HDFC Life a Letter of Appointment to act as a Sponsor. Subsequently, the PFRDA has filed a Special Leave Petition before the Hon'ble Supreme Court of India challenging the above said Order dated December 18, 2014. The Hon'ble Supreme Court has, by its Order dated March 9, 2015, refused to grant the PFRDA any ad-interim relief and has also directed the Sponsor to file its counter affidavit to the Petition. The matter is presently pending hearing. On March 27, 2015, complying with the High Court order, the PFRDA has issued a Letter of Appointment in favour of the Sponsor, stating inter alia that such appointment is subject to the outcome of the above proceedings filed before the Hon'ble Supreme Court. Further, as per the opinion obtained by the Company in this regard from a legal expert, the Company stands a fairly good chance of succeeding in the matter.

It may be noted that this would not have any impact on the subscriber as the assets and funds of the subscribers of National Pension System are held by NPS Trust, while HDFC Pension acts as a Fund Manager only.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II

2.9 PORTFOLIO STATEMENT AS ON MARCH 31, 2015

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Equity Shares	Infosys Ltd	175	388,210	7.20%
	Housing Devt Finance Corpn Ltd.	272	357,869	6.64%
	HDFC Bank Ltd.	340	347,718	6.45%
	ICICI Bank Ltd.	1,020	321,810	5.97%
	ITC Ltd	981	319,659	5.93%
	Larsen & Toubro Ltd	144	247,630	4.59%
	Reliance Industries Ltd.	287	237,062	4.40%
	Tata Consultancy Services Ltd	89	227,302	4.22%
	Tata Motors Ltd	320	176,064	3.27%
	Axis Bank Ltd	298	166,940	3.10%
	State Bank of India	551	147,145	2.73%
	Sun Pharmaceuticals Industries Ltd	130	133,107	2.47%
	Hindustan Unilever Ltd	126	110,067	2.04%
	Kotak Mahindra Bank Ltd	75	98,494	1.83%
	Oil & Natural Gas Corporation Ltd	316	96,807	1.80%
	Mahindra & Mahindra Ltd	80	95,024	1.76%
	HCL Technologies Ltd.	95	93,138	1.73%
	Bharati Airtel Ltd	236	92,819	1.72%
	Maruti Suzuki India Ltd	23	85,039	1.58%
	Lupin Ltd.	41	82,344	1.53%
	Coal India Ltd.	226	82,015	1.52%
	Dr Reddys Laboratories Ltd.	22	76,753	1.42%
	Wipro Ltd	113	71,060	1.32%
	IndusInd Bank Ltd.	76	67,336	1.25%
	Tech Mahindra Ltd	105	66,119	1.23%
	Asian Paints (India) Ltd.	79	64,093	1.19%
	Cipla Ltd	89	63,408	1.18%
	Power Grid Corporation of India Ltd.	385	55,921	1.04%
	Hero Motocorp Ltd.	21	55,436	1.03%
	National Thermal Power Corporation Ltd.	359	52,719	0.98%
	UltraTech Cement Ltd.	18	51,802	0.96%
	Bajaj Auto Ltd.	24	48,398	0.90%
	Yes Bank Ltd	58	47,314	0.88%
	Grasim Industries Ltd.	11	39,846	0.74%
	Infrastructure Development Finance Company Ltd.	234	39,066	0.72%
	Tata Steel Ltd	119	37,693	0.70%
	Bharat Heavy Electricals Ltd	158	37,185	0.69%
	Sesa Goa Ltd.	190	36,005	0.67%
	Bharat Petroleum Corporation Ltd.	44	35,675	0.66%
	Ambuja Cements Ltd.	137	34,976	0.65%
	Idea Cellular Ltd	188	34,592	0.64%
	Zee Entertainment Enterprises Ltd.	95	32,466	0.60%
	Gas Authority of India Ltd.	81	31,412	0.58%
	Hindalco Industries Ltd.	231	29,799	0.55%
	Bank of Baroda	167	27,305	0.51%
	Associated Cement Co Ltd	16	25,004	0.46%
	Tata Power Co. Ltd.	318	24,518	0.45%
Cairn India Ltd.	100	21,385	0.40%	
Punjab National Bank.	132	19,061	0.35%	
National Mineral Development Corporation Ltd.	141	18,154	0.34%	
Equity Shares Total		9,536	5,150,764	95.53%
Non-convertible Debenture	8.49% NTPC NCD Mat 25-Mar-2025	307	3,896	0.07%
Non-convertible Debenture Total		307	3,896	0.07%
Mutual Fund Units	ICICI Prudential Liquid - Direct Plan - Growth.	1,039	215,000	3.99%
Mutual Fund Units Total		1,039	215,000	3.99%
Net Current Assets		-	21,927	0.41%
Grand Total		10,882	5,391,587	100.00%

Note :

The Company has been holding the Equity Shares of NTPC Limited ("NTPC") in Scheme E - Tier II. Pursuant to a Scheme of Arrangement, NTPC has issued Secured, Non-Cumulative, Non-Convertible, Redeemable, Taxable Fully Paid-up debentures, having face value of Rs 12.50 each and a tenor of 10 years, as bonus to its shareholders in the ratio of 1:1. In view of the same, currently, the bonus debentures are held in Scheme E-Tier- II. The company will liquidate the said debentures in the market as when the opportunity arises or will be transferred to Scheme C post clarification from PFRDA.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II

3 KEY STATISTICS FOR THE YEAR ENDED MARCH 31, 2015

Sr No	Particulars	For the year ended March 31, 2015	For the period ended March 31, 2014 [^]
1	NAV per unit (₹) I Open High Low End @	10.7929 13.9857 10.7740 13.2506	9.9999 10.7929 10.7095 10.7929
2	Closing Assets Under Management (₹ in Lakhs) End Average daily net assets (AAuM) II	53.92 20.68	4.92 1.32
3	Gross income as % of AAuM III	12.44%	11.93%
4	Expense ratio		
a	Total expense as % of AAuM (scheme wise) IV	0.05%	0.19%
b	Management fee as % of AAuM (scheme wise) V	0.05%	0.28%
5	Net income as % of AAuM VI	12.15%	11.74%
6	Portfolio turnover ratio VII	3.15%	1.73%
7	Total dividend per unit distributed during the period		N.A.
8	Returns: (%)		
a	Last one year VIII Benchmark	22.77% 28.33%	N.A. N.A.
b	Since inception VIII Benchmark	32.51% 50.74%	7.93% 17.47%
c	Compound annualised yield (%) IX Last 1 year Last 3 years Last 5 years Since launch of the scheme	22.77% N.A. N.A. 18.44%	N.A. N.A. N.A. 12.36%
	Launch Date	August 01, 2013	
I	NAV = (Market value of investment held by scheme + value of current assets - value of current liability and provisions, if any) / (no. of units at the valuation date (before creation/ redemption of units))		
II	AAuM = Average daily net assets		
III	Gross income = Income includes Interest, Dividend, Realised/Unrealised Gain		
IV	Total expenses = Expenses include management fees, custody fees, trustee bank charges but excludes Unrealised /Realised loss		
V	Management fee as % of AAuM is annualised		
VI	Net income = Total income less Total expenses and losses		
VII	Portfolio turnover = Lower of sales or purchase divided by the average AUM for the period. Investments in liquid mutual fund is excluded from the turnover as the same is primarily for liquidity management		
VIII	As per fund objective of Scheme E Tier II, the fund only invests in equity securities through Nifty 50 Index basket. There is a minimum threshold amount for investment in Nifty 50 basket and till the time investable amount reaches this threshold, it is invested temporarily in liquid and money market securities. Due to small size of the fund this has affected the fund performance. Hence, Fund performance of the scheme for the period is not comparable with the benchmark.		
IX	Compounded annualised yield is to be calculated based on following formula: = (1+ cumulative return) ⁿ -1 (where n=365/no. of days)		
	© The declared NAV of March 28, 2014 is considered for the previous year, as NAV for March 31, 2014 was not declared on account of holiday.		
	[^] The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.		



NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I

Financial Statements together with Auditors' Report

For the Financial year ended March 31, 2015

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Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

INDEPENDENT AUDITORS' REPORT

To,

The Board of Trustees
National Pension System (NPS) Trust
1st Floor, ICADR Building,
6, Vasant Kunj Institutional Area- Phase II,
New Delhi 110 070

Report on Financial Statements

1. We have audited the accompanying financial statements of **NPS Trust A/c HDFC Pension Fund Scheme C – Tier I under the National Pension System Trust (NPS Trust)** managed by **HDFC Pension Management Company Ltd.** (PFM) which comprise of the Balance Sheet as at March 31, 2015 and the Revenue Account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management of the PFM, in accordance with the Pension Fund Regulatory and Development Authority (PFRDA) Guidelines and the Investment Management Agreement (IMA) with the NPS Trust, is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA to Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment or the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012 and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Scheme as of March 31, 2015;
 - b) in the case of the Revenue Account, of the surplus of the Scheme for the year ended on that date:

Emphasis of Matter

7. Without modifying our opinion, we invite attention to Note 2.9 of Schedule 7 in connection with litigation relating to granting of license to PFM to undertake pension management under the National Pension System by PFRDA.

Report on Other Legal and Regulatory Requirements

8. As required by the PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended, we report that:
 - a) We have obtained all information and explanations which to the best our knowledge and belief were necessary for the purpose of the audit.
 - b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
 - c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.

- d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
 - e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA.
9. We further certify that
- a) Investments have been valued in accordance with the guidelines issued by the Authority.
 - b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fee.

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Place: Mumbai
Dated:

Atul Shah
Partner
Membership No. 39569

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I

BALANCE SHEET AS AT MARCH 31, 2015

(In ₹)

Particulars	Schedule	As at March 31, 2015	As at March 31, 2014
		Amount	Amount
Sources of funds			
Unitholders Funds			
Unit Capital	1	119,154,538	14,621,570
Reserves & Surplus	2	27,725,232	1,034,011
Current Liabilities and Provisions	3	396,516	322,442
Borrowings			
Total		147,276,286	15,978,023
Application of funds			
Investments (Long term and short term)	4	140,313,542	15,406,408
Deposits	5	-	-
Other Current Assets	6	6,962,744	571,615
Total		147,276,286	15,978,023
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		146,879,770	15,655,581
(b) Number of units outstanding		11,915,454	1,462,157
(c) NAV per unit (a)/(b) (₹) (Refer Schedule 7 Note 1.9)		12.3268	10.7071
Significant accounting policies and notes to accounts	7		

The notes referred to above form an integral part of the financial statements.

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

As per our report of even date

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Sumit Shukla
(Chief Executive Officer)

Nagesh Pai
(Company Secretary)

Atul Shah
(Partner)
Membership No.39569

Place : Mumbai

Date : April 16, 2015

For and on Behalf of NPS Trust

G.N. Bajpai
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2015

(In ₹)

Particulars	Schedule	For the year ended	For the period ended
		March 31, 2015	March 31, 2014 ^
		Amount	Amount
Income & Gain			
Interest income		5,480,315	224,095
Profit on sale/redemption of investments (other than inter-scheme transfer/sale)		175,985	72,932
Unrealised gain on appreciation in investments		3,054,934	52,967
Total Income & Gain (A)		8,711,234	349,994
Expenses & Losses			
Unrealised losses in value of investments		1,286	-
Management fees		28,452	9,337
Custodian fees		5,083	220
CRA fees		241,055	10,688
Less : Amount recovered on sale of units on account of CRA Charges		(241,055)	(10,688)
Total Expenses & Losses (B)		34,821	9,557
Net income/(expenditure) for the year (A-B = C)		8,676,413	340,437
Balance at the beginning of the period		287,470	-
Net Unrealised appreciation in value of Investment transferred from/ (to) Unrealised Appreciation Reserve		(3,053,648)	(52,967)
Balance at the end of the period carried to Balance Sheet		5,910,235	287,470
Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis.		13.74%	7.01%
Total expenditure expressed as a percentage of average net assets, calculated on a daily basis.		0.05%	0.19%
Significant accounting policies and notes to accounts	7		

^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.

The notes referred to above form an integral part of the financial statements.

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

As per our report of even date

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No.104767W

Sumit Shukla
(Chief Executive Officer)

Nagesh Pai
(Company Secretary)

Atul Shah
(Partner)
Membership No.39569

Place : Mumbai

Date : April 16, 2015

For and on Behalf of NPS Trust

G.N. Bajpai
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I

Schedules forming part of the financial statements

Schedule 1: Unit capital

(In ₹)

Particulars	As at March 31, 2015		As at March 31, 2014 ^	
	Units	Amount	Units	Amount
Initial capital				
Unit capital				
Opening balance	1,462,157	14,621,570	-	-
Additions during the period	10,631,723	106,317,230	1,483,441	14,834,409
Deduction during the period	(178,426)	(1,784,262)	(21,284)	(212,839)
Closing balance	11,915,454	119,154,538	1,462,157	14,621,570

Schedule 2: Reserves and surplus

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014 ^
	Amount	Amount
Unit premium reserve		
Opening balance	693,574	-
Additions during the period	18,389,531	705,810
Deduction during the period	(374,723)	(12,236)
Closing balance	18,708,382	693,574
Unrealised Appreciation Reserve		
Opening balance	52,967	-
Change in net unrealised appreciation in value of investments	3,053,648	52,967
Closing balance	3,106,615	52,967
Surplus/(deficit) in Revenue account		
Opening balance	287,470	-
Additions during the period	5,622,765	287,470
Deduction during the period	-	-
Closing balance	5,910,235	287,470
General reserve*	-	-
Appropriation account*	-	-
Total	27,725,232	1,034,011

* The balances have been nil throughout the period

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Current liabilities		
Sundry creditors	5,277	9,557
Contracts for purchase of investments	-	299,796
Interest received in advance	262,839	-
Unit redemption payable	128,400	13,089
Provisions	-	-
Total	396,516	322,442

^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I

Schedules forming part of the financial statements

Schedule 4: Investments

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Debentures and bonds	136,173,041	13,431,122
Others - Mutual funds	4,140,501	1,975,286
Total	140,313,542	15,406,408

Schedule 5: Deposits

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Deposits with scheduled banks	-	-
Others	-	-
Total	-	-

Schedule 6: Other current assets

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Balances with banks in current / saving account	265	5,113
Outstanding and accrued income	6,709,479	566,502
Shares/debentures/ others application money pending allotment	253,000	-
Total	6,962,744	571,615

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I

Schedule 7

Significant accounting policies & notes to accounts for the year ended March 31, 2015

1.1 Background

HDFC Pension Management Company Limited ('the Company') has been appointed as a Pension Fund Manager ('PFM') by the Pension Fund Regulatory and Development Authority ("PFRDA") for the management of Pension Schemes under the National Pension System ('NPS'). Accordingly, the Company has entered into an Investment Management Agreement ('IMA') with NPS Trust. The Pension Fund Regulatory and Development Authority ("PFRDA" / "Authority") guidelines require each PFM to manage subscribers' funds. As per unbundled architecture of the NPS, the main responsibility of PFM is to manage funds in accordance with the laid down guidelines and declare NAV. As per the architecture, the NSDL e-Governance Infrastructure Ltd., being the Central Recordkeeping Agency (CRA) provides consolidated data to PFM for allotment / redemption of units and Axis Bank, being the Trustee Bank, provides / receives funds on consolidated basis in respect of such allotment / redemption.

Central Record Keeping Agency (CRA): National Securities Depository Limited (NSDL) and PFRDA have set up Central Recordkeeping Agency (CRA) for the NPS

Some of the key responsibilities of the CRA include the following:

- Record keeping, Administration and Customer service function for NPS subscriber,
- Providing Unique Permanent Retirement Account Number (PRAN) to each subscriber,
- Maintaining database of all PRANs issued and recording transactions relating to each subscribers PRAN,
- PRAN Transaction Statement,
- An operational interface between PFRDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trust Bank etc.

CRA is responsible to resolve all queries pertaining to investors. CRA informs about the fund flow to Pension Fund Managers (PFM) and also instruct AXIS Bank to credit PFM's pool account maintained with them.

NPS trust has designated Stock Holding Corporation of India Ltd. (SHCIL) as the custodian, who is responsible for safe custody of securities and settlements of trades.

The fees payable to CRA, in terms of IMA, is charged to the investor by redeeming the equivalent number of units on receipt of intimation from CRA. As stated above, the amount of funds received from the subscribers is intimated by the Trustee Bank on consolidated basis on T+2 basis. PFM records the same on receipt basis. Accordingly, funds with Trustee Bank at the yearend do not get reflected in the financial statements.

1.2 Basis of preparation

The financial statements have been prepared to comply with the Pension Fund Regulatory and Development Authority Act, 2013, PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012, Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012 and generally accepted accounting principles. These financial statements have been prepared on an accrual basis, except as otherwise stated.

The financials have been prepared for SCHEME C TIER I being managed by the Company.

The Company manages six separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C and G based on the asset class prescribed under the NPS as follows:

Scheme E - Equity market instruments

Scheme C - Credit risk bearing fixed income instruments

Scheme G - Government securities

1.3 Investments

Transactions for purchase and sale of securities are accounted on trade date.

The holding cost of investments is determined by the weighted average cost method and the cost does not include brokerage and other transaction charges.

The cost of investments acquired or purchased includes applicable taxes and stamp charges but exclude brokerage and other transactional charges.

Investments are reconciled with the custodian records on daily basis.

Valuation of Investments

The scheme marks all investments to market and carries investments in the Balance Sheet at the market value as on Balance Sheet date / date of determination / date of valuation.

The change in unrealised appreciation/depreciation in the value of investments is determined separately for each assets category at the year-end and is recognised in the Revenue Account. The change in net unrealised appreciation, if any, is transferred to /from "Unrealised Appreciation Reserve" shown as part of Reserves and Surplus.

As per directive received from NPS Trust, the valuation of investments is carried out by Stock Holding Corporation of India Limited (SHCIL) effective April 1, 2011. The Investment valuation methodology adopted by SHCIL is as follows:

The following valuation norms are as prescribed by PFRDA (Preparation of Financial Statements and Auditor's Report of schemes under National Pension System) Guidelines - 2012.

Securities traded at a stock exchange:

Debt securities (other than government securities) with a residual maturity over/upto 60 days are valued at National Stock Exchange (NSE) weighted average traded price on that day.

Money market instruments like treasury bills, commercial paper, and certificate of deposit are valued at amortised cost. If they are traded, then they are valued at the last traded price on NSE.

Mutual fund units are valued based on the net asset value of the preceding day of the valuation date.

Securities not traded at a stock exchange:

Non-traded debt securities (i.e. securities not traded on a day) with a residual maturity over 60 days are valued on a yield to maturity basis by using the benchmark rate / matrix of spread over risk free benchmark yield obtained from CRISIL and ICRA.

Non-traded debt securities (i.e. securities not traded on a day) with a residual maturity upto 60 days are valued at last valuation price plus the difference between redemption price and last valuation price, spread uniformly over the remaining maturity period of the instrument.

1.4 Income Recognition

Interest income on all interest bearing investment is recognised on daily accrual basis; when investments are purchased, interest paid for the period from the last interest due date up to the date of purchase is debited to Interest Recoverable Account and not included in cost of purchase. Similarly interest received at the time of sale for the period from the last interest due date up to the date of sale credited to Interest Recoverable Account and not included in sale value.

Accretion of discount and amortisation of premium relating to debt securities is recognised over the holding / maturity period on a straight-line basis.

Profit or loss on sale of debt securities is the difference between the sale consideration net of expenses and the weighted average amortised cost as on the date of sale.

Profit or loss on sale of mutual fund units is the difference between the sale consideration net of expenses and the weighted average book cost.

1.5 Non-Performing Assets

An investment is regarded as non-performing, if interest/principal or both amount has not been received or has remained outstanding for 90 days from the day such income/instalment has fallen due.

Where income receivable on investments has accrued but has not been received for a period of 90 days beyond the due date, provision is made by debiting to the Revenue Account for the income so accrued and no further accrual of income shall be made in respect of such investments.

Income on non-performing assets (NPA) are recognised on receipt and other incomes of miscellaneous nature are accounted for when there is certainty of collection.

1.6 Units reconciliation

The subscribers' units as per Investment management system are reconciled with Central Recordkeeping Agency (CRA) records on daily basis.

1.7 Investment management fees

Investment management fees are recognised on daily accrual basis on closing Asset Under Management (AUM) in accordance with IMA. The Investment management fee is inclusive of brokerage but excludes custodian charges and applicable taxes, if any.

The Company has started charging investment management fee of 0.01% per annum (inclusive of brokerage but excluding custodian charges and applicable taxes), with effect from August 01, 2014, in terms of the Pension Fund Regulatory and Development Authority's circular no. PFRDA/6/PFM/9/2 dated July 31, 2014.

The investment management fees charged until July 31, 2014 was 0.25% per annum (inclusive of brokerage but excluding custodian charges and applicable taxes), in terms of the Pension Fund Regulatory and Development Authority's circular no. PFRDA/CIR/1/PFM/1.

1.8 Other Expenses

Custody charges are recognised on daily accrual basis in accordance with IMA. Trustee bank charges, if any, are recognised when they are debited by the trustee bank on a quarterly basis.

1.9 Unit Premium Reserve

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the Unit Premium Reserve of the Scheme.

2. NAV

NAV disclosed in the Balance Sheet for the previous year is as of March 31, 2014 however, for the FY 2013-14, the last business day was March 28, 2014 and hence, the last declared NAV was as of March 28, 2014.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I

Notes to accounts

2.1 Contingent liabilities

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Uncalled liability on partly paid shares	-	-
Other commitments	-	-

2.2 Investments

All investments are performing investments. All investments of the scheme are in the name of the NPS Trust. All investments are traded investments.

2.3 Details of transactions with sponsor and its related parties

Nature of relationship	Name of the related party
Pension fund manager	HDFC Pension Management Company Limited
Sponsor company	HDFC Standard Life Insurance Company Limited
Associates and group companies	
Holding Company	HDFC Limited
Mr. Amitabh Chaudhry	Key Management Personnel
Ms. Vibha Padalkar	Key Management Personnel
Mr. Sumit Shukla	Key Management Personnel

The following represents significant transactions between the Company and its related parties for the year ended March 31, 2015

(In ₹)

Nature of Transaction	For the year ended March 31, 2015	For the period ended March 31, 2014 ^
	Amount	Amount
Investment management fees	28,452	8,310

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Investment management fees payable	2,617	8,310

^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.

Aggregate investments made in the Associates and group companies as at March 31, 2015 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2015		As at March 31, 2014	
		Cost	Market Value	Cost	Market Value
		-	-	-	-

Investment with other Group Companies

Nature of relationship	Name of the related party
Associates of Holding Company	HDFC Bank Limited

Aggregate investments made in the other group companies as at March 31, 2015 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2015		As at March 31, 2014	
		Cost	Market Value	Cost	Market Value
		-	-	-	-

2.4 Provision

There are no provisions for doubtful deposits, debts and outstanding and accrued income.

2.5 Aggregate value of purchase and sale with percentage to average assets

Aggregate value of purchase and sale with percentage to average assets as at March 31, 2015 is as follows :

(In ₹)

Particular	For the year ended March 31, 2015	For the period ended March 31, 2014
Average Net Asset Value	63,409,440	4,992,880
Purchase of Investment	488,001,284	138,131,191
% to average Net Assets Value	770.00%	2766.56%
Sale of Investment	362,919,141	122,231,070
% to average Net Assets Value	572.00%	2448.11%

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I

Notes to accounts

Aggregate value of purchase and sale (excluding liquid mutual fund)* with percentage to average assets as at March 31, 2015 is as follows :

Particular	(In ₹)	
	For the year ended March 31, 2015	For the period ended March 31, 2014
Average Net Asset Value	63,409,440	4,992,880
Purchase of Investment	134,211,330	15,049,441
% to average Net Assets Value	212.00%	301.42%
Sale of Investment	11,145,939	1,050,390
% to average Net Assets Value	18.00%	21.04%

*Liquid mutual fund investments are held for day to day cash management, hence excluded

2.6 Investments falling under each major industry group

The total value of investments falling under each major industry group (which constitutes not less than 5% of the total investments in the major classification of the financials) are disclosed as under:

Industry Classification	As at March 31, 2015		As at March 31, 2014	
	Market value	% of Industry Classification	Market value	% of Industry Classification
	Other credit granting	49,667,476	33.82%	4,787,551
Other financial service activities, except insurance and pension	20,917,015	14.24%	399,688	2.55%
Activities of holding companies	12,716,346	8.66%	1,011,361	6.46%
Manufacture of other agrochemical products n.e.c.	11,648,801	7.93%	-	-
Transmission Of Electrical Energy	11,177,494	7.61%	970,481	6.20%
Activities of specialized institutions granting credit for house purchases	8,361,229	5.69%	926,519	5.92%
Service activities incidental to water transportation	7,412,300	5.05%	1,039,413	6.64%
Other monetary intermediation services n.e.c.	3,001,416	2.04%	1,866,606	11.92%
Monetary intermediation of commercial / saving / postal banks	1,608,631	1.10%	1,436,350	9.17%
Electric power generation and transmission by nuclear power plant	3,263,428	2.22%	993,153	6.34%
Others (Industries constitute less than 5%)	6,398,905	4.36%	-	-
Mutual Funds	4,140,501	2.82%	1,975,286	12.62%
Net Current Assets	6,566,228	4.47%	249,173	1.59%
Net Asset Value	146,879,770	100.00%	15,655,581	100.00%

Note :

- 1) Industry classification has been taken at sub class level of National Industrial Classification (NIC) 2008.
- 2) Previous year's figures are regrouped basis the current year's industry exposure.

2.7 Age wise disclosure for Shares/debentures/ others application money pending allotment.

Security Name	Asset Type	Ageing	(In ₹)	
			As at March 31, 2015	As at March 31, 2014
Reliance Liquidity Fund - Direct Growth Plan - Growth Option	Liquid Mutual Fund	Less than 7 Days	253,000	NIL

2.8 Prior Year Comparatives :

The Figures of the previous period have been regrouped / rearranged, wherever applicable, to confirm current year's presentation.

2.9 Note on status of litigation matters with PFRDA

In January 2014, a Request for Proposal (RFP) was floated by the PFRDA seeking fresh bids for selection of pension fund managers afresh to manage the pension funds. In response to the RFP, HDFC Life (the Sponsor) submitted its technical and commercial bid to be selected as a Sponsor. The technical bid made under RFP was opened in April 2014 and the bid submitted by the Sponsor was not accepted by the PFRDA on technical grounds of not having profitability for a period of 3 years at the time of submission of the bid. The Sponsor along with the Company, therefore, filed a Writ Petition before the Hon'ble High Court of Delhi, challenging the said rejection. The Hon'ble High Court of Delhi by its Order dated May 15, 2014 quashed and set aside the PFRDA's rejection of the Sponsor's bid and directed the PFRDA to evaluate the bid in accordance with the steps set out in the RFP. Pursuant thereto, while the PFRDA cleared the Sponsor's technical and commercial bid and the Sponsor even agreed to match the lowest commercial bid, the PFRDA declined to grant the Sponsor a Letter of Appointment.

The Sponsor along with the Company, therefore, filed a Writ Petition before the Hon'ble High Court of Delhi, which, vide its Order dated December 18, 2014 set aside the rejection of the Sponsor's bid and directed the PFRDA to grant HDFC Life a Letter of Appointment to act as a Sponsor. Subsequently, the PFRDA has filed a Special Leave Petition before the Hon'ble Supreme Court of India challenging the above said Order dated December 18, 2014. The Hon'ble Supreme Court has, by its Order dated March 9, 2015, refused to grant the PFRDA any ad-interim relief and has also directed the Sponsor to file its counter affidavit to the Petition. The matter is presently pending hearing. On March 27, 2015, complying with the High Court order, the PFRDA has issued a Letter of Appointment in favour of the Sponsor, stating inter alia that such appointment is subject to the outcome of the above proceedings filed before the Hon'ble Supreme Court. Further, as per the opinion obtained by the Company in this regard from a legal expert, the Company stands a fairly good chance of succeeding in the matter.

It may be noted that this would not have any impact on the subscriber as the assets and funds of the subscribers of National Pension System are held by NPS Trust, while HDFC Pension acts as a Fund Manager only.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I

3 PORTFOLIO STATEMENT AS ON YEAR ENDED MARCH 31, 2015

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Non-convertible Debenture	10.35% United Phosphorus Ltd. NCD MAT 08-June-2019	11	11,648,802	7.93%
	9.69% Tata Sons Ltd NCD Mat 12-Jun-2022	8	8,580,087	5.84%
	10.40% Reliance Ports and Terminal Ltd NCD Mat 18-Jul-2021	7	7,412,300	5.05%
	10.15% BAJAJ FINANCE LTD NCD MAT 19-SEP-2024	7	7,355,950	5.01%
	8.44% Rural Electrification Corp Ltd Mat 04-Dec-2021	5	5,037,696	3.43%
	9.95% Food Corporation of India Ltd Mat 07-03-2022	4	4,336,830	2.95%
	8.95%IRFC NCD Mat 10-Mar-2025	4	4,234,320	2.88%
	8.93% Power Grid NCD Mat 20-Oct-2027	4	4,205,907	2.86%
	10% Shriram Transport Fin NCD Mat 13-Nov-2024	4	4,061,436	2.77%
	8.55% Power Finance Corporation Ltd.Mat-09-DEC-2021	4	4,046,909	2.76%
	8.70% Power Finance Corp Ltd Mat 14-May-2020	4	4,038,892	2.75%
	9.38% IDFC Ltd NCD Mat 12-September-2024	3	3,208,047	2.18%
	8.83%IRFC NCD Mat 14-May-2034	3	3,204,627	2.18%
	9.48% Rural Electrification Corp Ltd Mat 10-Aug-2021	3	3,155,184	2.15%
	8.68%IRFC NCD Mat 29-11-2021	3	3,083,052	2.10%
	8.49% IDFC Ltd NCD Mat 11-December-2024	3	3,045,667	2.07%
	9.50% IL&FS Ltd. NCD Mat 28-July-2024	2,900	2,962,535	2.02%
	8.84% Power Grid NCD Mat 21-10-2023	2	2,578,769	1.76%
	9.18% Nuclear Power Corp. Mat 23-01-2028(Tranche D)	2	2,173,116	1.48%
	9.47% LIC Housing Finance Ltd 23rd Aug 2024	2	2,147,612	1.46%
	9.34% Rural Electrification Corp Ltd Mat 25-Aug-2024	2	2,131,725	1.45%
	8.93% Power Grid NCD Mat 20-Oct-2028	2	2,107,635	1.43%
	9.44% LIC Housing Finance Co. Ltd. Mat-30-Aug-2019	2	2,082,533	1.42%
	9.43% Tata Sons Ltd NCD Mat 02-Jun-2019	2	2,079,247	1.42%
	8.80% Power Finance Corporation Ltd.Mat-15-JAN-2025	2	2,071,511	1.41%
	9.55% Hindalco Ind. Ltd. NCD Mat 27-Jun-2022	2	2,062,073	1.40%
	9.55% IL&FS Ltd. NCD Mat 13-Aug-2024	2,000	2,049,252	1.40%
	10.50% Shriram Transport Fin-Series II Mat 09-08-2017	2,000	2,043,517	1.39%
	10% Shriram Transport Fin NCD Mat 15-07-2019	2,000	2,031,714	1.38%
	8.50% EXIM Bank Mat-08-07-2023	2	2,022,319	1.38%
	0% NABARD ZCB mat 01-Jan-2018	100	1,608,631	1.10%
	9.25% Power Grid NCD Mat 24-07-2017	1	1,272,817	0.87%
	9.18% Nuclear Power Corp. Mat 23-01-2029(Tranche E)	1	1,090,312	0.74%
	11.15% Rural Electrification Corp Ltd Mat 24-Oct-2018	1	1,086,075	0.74%
	9.75% Rural Electrification Corp Ltd Mat 11-Nov-2021	1	1,070,678	0.73%
	8.94% Power Finance Corp Ltd. Mat 25-Mar-2028	1	1,054,087	0.72%
	9.51% LIC Housing Finance Co. Ltd. Mat-24-07-2019	1	1,042,864	0.71%
	9.63% LIC Housing Finance Co. Ltd. Mat-22-01-2019	1	1,042,713	0.71%
	9.20% Power Finance Corp Ltd Mat 07-July-2021	1	1,041,918	0.71%
	9.65% LIC Housing Finance Co. Ltd. Mat-01-11-2018	1	1,041,687	0.71%
	9.33% IDFC Ltd NCD Mat 14-March-2026	1	1,034,529	0.70%
	9.18% IDFC Ltd NCD Mat 11-Jun-2024	1	1,030,788	0.70%
	8.83% IRFC NCD Mat 25-03-2023	1	1,030,226	0.70%
	8.82% Rural Electrification Corp. Ltd. Mat - 12.04.2023	1	1,029,714	0.70%
	8.97% Tata Sons Ltd NCD Mat 15-Jul-2020	1	1,028,514	0.70%
	9.85% Tata Sons Ltd NCD Mat 21-May-2017.	1	1,028,498	0.70%
	8.90% IDFC Ltd NCD Mat 29-Sep-2019	1	1,022,185	0.70%
8.95% Power Finance Corp Ltd Mat 11-Mar-2018	1	1,017,975	0.69%	
8.70% Power Grid NCD Mat 15/07/2018	1	1,012,367	0.69%	
8.67% IDFC Ltd NCD Mat 03-Jan-2025	1	1,009,380	0.69%	
8.37% LIC Housing Finance Co. Ltd. Mat-21-05-2023	1	1,003,820	0.68%	
7.74%IRFC NCD Mat 22-12-2020	1	982,292	0.67%	
7.94% EXIM Bank Mat-22-05-2023	1	979,097	0.67%	
10.75% Shriram Transport Finance-Series II Mat 24-10-2018	397	412,610	0.28%	
Non-convertible Debenture Total		9,516	136,173,041	92.71%
Mutual Fund Units	Reliance Liquidity Fund - Direct Growth Plan - Growth Option	1,965	4,140,501	2.82%
Mutual Fund Units Total		1,965	4,140,501	2.82%
Net Current Assets		-	6,566,228	4.47%
Grand Total		11,481	146,879,770	100.00%

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I

3.1 KEY STATISTICS FOR THE YEAR ENDED MARCH 31, 2015

Sr No	Particulars	For the year ended March 31, 2015	For the period ended March 31, 2014 ^
1	NAV per unit (₹) I		
	Open	10.7002	9.9999
	High	12.3268	10.7002
	Low	10.6242	9.9999
	End @	12.3268	10.7002
2	Closing Assets Under Management (₹ in Lakhs)		
	End	1,468.80	156.56
	Average daily net assets (AAuM) II	634.09	49.93
3	Gross income as % of AAuM III	13.74%	7.01%
4	Expense ratio		
a	Total expense as % of AAuM (scheme wise) IV	0.05%	0.19%
b	Management fee as % of AAuM (scheme wise) V	0.04%	0.28%
5	Net income as % of AAuM VI	13.68%	6.82%
6	Portfolio turnover ratio VII	17.58%	21.04%
7	Total dividend per unit distributed during the period	N.A.	N.A.
8	Returns: (%)		
a	Last one year	15.20%	N.A.
	Benchmark	14.67%	N.A.
b	Since inception	23.27%	7.00%
	Benchmark	19.93%	4.59%
c	Compound annualised yield (%) VIII		
	Last 1 year	15.20%	N.A.
	Last 3 years	N.A.	N.A.
	Last 5 years	N.A.	N.A.
	Since launch of the scheme	13.40%	10.89%
	Launch Date	August 01, 2013	
I	NAV = (Market value of investment held by scheme + value of current assets - value of current liability and provisions, if any) / (no. of units at the valuation date (before creation/ redemption of units))		
II	AAuM = Average daily net assets		
III	Gross income = Income includes Interest, Dividend, Realised/Unrealised Gain		
IV	Total expenses = Expenses include management fees, custody fees, trustee bank charges but excludes Unrealised /Realised loss		
V	Management fee as % of AAuM is annualised		
VI	Net income = Total income less Total expenses and losses		
VII	Portfolio turnover = Lower of sales or purchase divided by the average AUM for the period. Investments in liquid mutual fund is excluded from the turnover as the same is primarily for liquidity management		
VIII	Compounded annualised yield is to be calculated based on following formula: = (1+ cumulative return)^n -1 (where n=365/no. of days)		
	@ The declared NAV of March 28, 2014 is considered for previous year, as NAV for March 31, 2014 was not declared on account of holiday.		
	^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.		



**NPS TRUST A/C HDFC PENSION MANAGEMENT
COMPANY LIMITED - SCHEME C TIER II**

**Financial Statements together
with Auditors' Report**

For the Financial year ended March 31, 2015

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Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

INDEPENDENT AUDITORS' REPORT

To,

The Board of Trustees
National Pension System (NPS) Trust
1st Floor, ICADR Building,
6, Vasant Kunj Institutional Area- Phase II,
New Delhi 110 070

Report on Financial Statements

1. We have audited the accompanying financial statements of **NPS Trust A/c HDFC Pension Fund Scheme C – Tier II under the National Pension System Trust (NPS Trust)** managed by **HDFC Pension Management Company Ltd.** (PFM) which comprise of the Balance Sheet as at March 31, 2015 and the Revenue Account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management of the PFM, in accordance with the Pension Fund Regulatory and Development Authority (PFRDA) Guidelines and the Investment Management Agreement (IMA) with the NPS Trust, is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA to Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012 and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Scheme as of March 31, 2015;
 - b) in the case of the Revenue Account, of the surplus of the Scheme for the year ended on that date:

Emphasis of Matter

7. Without modifying our opinion, we invite attention to Note 2.8 of Schedule 7 in connection with litigation relating to granting of license to PFM to undertake pension management under the National Pension System by PFRDA.

Report on Other Legal and Regulatory Requirements

8. As required by the PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended, we report that:
 - a) We have obtained all information and explanations which to the best our knowledge and belief were necessary for the purpose of the audit.
 - b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
 - c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.

- d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
 - e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA.
9. We further certify that
- a) Investments have been valued in accordance with the guidelines issued by the Authority.
 - b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fee.

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Place: Mumbai
Dated:

Atul Shah
Partner
Membership No. 39569

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER II

BALANCE SHEET AS AT MARCH 31, 2015

(In ₹)

Particulars	Schedule	As at March 31, 2015	As at March 31, 2014
		Amount	Amount
Sources of funds			
Unitholders Funds			
Unit Capital	1	6,099,940	321,050
Reserves & Surplus	2	988,716	19,850
Current Liabilities and Provisions	3	5,274	343
Borrowings			
Total		7,093,930	341,243
Application of funds			
Investments (Long term and short term)	4	6,909,437	340,966
Deposits	5	-	-
Other Current Assets	6	184,493	277
Total		7,093,930	341,243
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		7,088,656	340,900
(b) Number of units outstanding		609,994	32,105
(c) NAV per unit (a)/(b) (₹) (Refer Schedule 7 Note 1.9)		11.6208	10.6182
Significant accounting policies and notes to accounts	7		

The notes referred to above form an integral part of the financial statements.

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

As per our report of even date

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Sumit Shukla
(Chief Executive Officer)

Nagesh Pai
(Company Secretary)

Atul Shah
(Partner)
Membership No.39569

Place : Mumbai

Date : April 16, 2015

For and on Behalf of NPS Trust

G.N. Bajpai
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER II

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2015

(In ₹)

Particulars	Schedule	For the year ended	For the period ended
		March 31, 2015	March 31, 2014 ^
		Amount	Amount
Income & Gain			
Interest income		5,618	-
Profit on sale/redemption of investments (other than inter-scheme transfer/sale)		120,485	4,756
Unrealised gain on appreciation in investments		26,077	967
Total Income & Gain (A)		152,180	5,723
Expenses & Losses			
Unrealised losses in value of investments		967	-
Management fees		627	182
Custodian fees		42	2
CRA fees		1,954	67
Less : Amount recovered on sale of units on account of CRA Charges		(1,954)	(67)
Total Expenses & Losses (B)		1,636	184
Net income/(expenditure) for the year (A-B = C)		150,544	5,539
Balance at the beginning of the period		4,572	-
Net Unrealised appreciation in value of Investment transferred from/ (to) Unrealised Appreciation Reserve		(25,110)	(967)
Balance at the end of the period carried to Balance Sheet		130,006	4,572
Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis.		10.33%	5.88%
Total expenditure expressed as a percentage of average net assets, calculated on a daily basis.		0.05%	0.19%
Significant accounting policies and notes to accounts	7		

^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.

The notes referred to above form an integral part of the financial statements.

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

As per our report of even date

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No.104767W

Sumit Shukla
(Chief Executive Officer)

Nagesh Pai
(Company Secretary)

Atul Shah
(Partner)
Membership No.39569

Place : Mumbai

Date : April 16, 2015

For and on Behalf of NPS Trust

G.N. Bajpai
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER II

Schedules forming part of the financial statements

Schedule 1: Unit capital

(In ₹)

Particulars	As at March 31, 2015		As at March 31, 2014 ^	
	Units	Amount	Units	Amount
Initial capital				
Unit capital				
Opening balance	32,105	321,050	-	-
Additions during the period	600,169	6,001,693	32,482	324,823
Deduction during the period	(22,280)	(222,803)	(377)	(3,773)
Closing balance	609,994	6,099,940	32,105	321,050

Schedule 2: Reserves and surplus

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014 ^
	Amount	Amount
Unit premium reserve		
Opening balance	14,311	-
Additions during the period	846,684	14,485
Deduction during the period	(28,362)	(174)
Closing balance	832,633	14,311
Unrealised Appreciation Reserve		
Opening balance	967	-
Change in net unrealised appreciation in value of investments	25,110	967
Closing balance	26,077	967
Surplus/(deficit) in Revenue account		
Opening balance	4,572	-
Additions during the period	125,434	4,572
Deduction during the period	-	-
Closing balance	130,006	4,572
General reserve*	-	-
Appropriation account*	-	-
Total	988,716	19,850

* The balances have been nil throughout the period

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014 ^
	Amount	Amount
Current liabilities		
Sundry creditors	120	184
Interest received in advance	3,387	-
Unit redemption payable	1,767	159
Provisions	-	-
Total	5,274	343

^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER II

Schedules forming part of the financial statements

Schedule 4: Investments

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Debentures and bonds	5,190,436	-
Others - Mutual funds	1,719,001	340,966
Total	6,909,437	340,966

Schedule 5: Deposits

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Deposits with scheduled banks	-	-
Others	-	-
Total	-	-

Schedule 6: Other current assets

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Balances with banks in current / saving account	394	277
Outstanding and accrued income	184,099	-
Total	184,493	277

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER II

Schedule 7

Significant accounting policies & notes to accounts for the year ended March 31, 2015

1.1 Background

HDFC Pension Management Company Limited ('the Company') has been appointed as a Pension Fund Manager ('PFM') by the Pension Fund Regulatory and Development Authority ("PFRDA") for the management of Pension Schemes under the National Pension System ('NPS'). Accordingly, the Company has entered into an Investment Management Agreement ('IMA') with NPS Trust. The Pension Fund Regulatory and Development Authority ("PFRDA" / "Authority") guidelines require each PFM to manage subscribers' funds. As per unbundled architecture of the NPS, the main responsibility of PFM is to manage funds in accordance with the laid down guidelines and declare NAV. As per the architecture, the NSDL e-Governance Infrastructure Ltd., being the Central Recordkeeping Agency (CRA) provides consolidated data to PFM for allotment / redemption of units and Axis Bank, being the Trustee Bank, provides / receives funds on consolidated basis in respect of such allotment / redemption.

Central Record Keeping Agency (CRA): National Securities Depository Limited (NSDL) and PFRDA have set up Central Recordkeeping Agency (CRA) for the NPS

Some of the key responsibilities of the CRA include the following:

- Record keeping, Administration and Customer service function for NPS subscriber,
- Providing Unique Permanent Retirement Account Number (PRAN) to each subscriber,
- Maintaining database of all PRANs issued and recording transactions relating to each subscribers PRAN,
- PRAN Transaction Statement,
- An operational interface between PFRDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trust Bank etc.

CRA is responsible to resolve all queries pertaining to investors. CRA informs about the fund flow to Pension Fund Managers (PFM) and also instruct AXIS Bank to credit PFM's pool account maintained with them.

NPS trust has designated Stock Holding Corporation of India Ltd. (SHCIL) as the custodian, who is responsible for safe custody of securities and settlements of trades.

The fees payable to CRA, in terms of IMA, is charged to the investor by redeeming the equivalent number of units on receipt of intimation from CRA. As stated above, the amount of funds received from the subscribers is intimated by the Trustee Bank on consolidated basis on T+2 basis. PFM records the same on receipt basis. Accordingly, funds with Trustee Bank at the yearend do not get reflected in the financial statements.

1.2 Basis of preparation

The financial statements have been prepared to comply with the Pension Fund Regulatory and Development Authority Act, 2013, PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012, Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012 and generally accepted accounting principles. These financial statements have been prepared on an accrual basis, except as otherwise stated.

The financials have been prepared for SCHEME C TIER II being managed by the Company.

The Company manages six separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C and G based on the asset class prescribed under the NPS as follows:

Scheme E - Equity market instruments

Scheme C - Credit risk bearing fixed income instruments

Scheme G - Government securities

1.3 Investments

Transactions for purchase and sale of securities are accounted on trade date.

The holding cost of investments is determined by the weighted average cost method and the cost does not include brokerage and other transaction charges.

The cost of investments acquired or purchased includes applicable taxes and stamp charges but exclude brokerage and other transactional charges.

Investments are reconciled with the custodian records on daily basis.

Valuation of Investments

The scheme marks all investments to market and carries investments in the Balance Sheet at the market value as on Balance Sheet date / date of determination / date of valuation.

The change in unrealised appreciation/depreciation in the value of investments is determined separately for each assets category at the year-end and is recognised in the Revenue Account. The change in net unrealised appreciation, if any, is transferred to /from "Unrealised Appreciation Reserve" shown as part of Reserves and Surplus.

As per directive received from NPS Trust, the valuation of investments is carried out by Stock Holding Corporation of India Limited (SHCIL) effective April 1, 2011. The Investment valuation methodology adopted by SHCIL is as follows:

The following valuation norms are as prescribed by PFRDA (Preparation of Financial Statements and Auditor's Report of schemes under National Pension System) Guidelines - 2012.

Securities traded at a stock exchange:

Debt securities (other than government securities) with a residual maturity over/upto 60 days are valued at National Stock Exchange (NSE) weighted average traded price on that day.

Money market instruments like treasury bills, commercial paper, and certificate of deposit are valued at amortised cost. If they are traded, then they are valued at the last traded price on NSE.

Mutual fund units are valued based on the net asset value of the preceding day of the valuation date.

Securities not traded at a stock exchange:

Non-traded debt securities (i.e. securities not traded on a day) with a residual maturity over 60 days are valued on a yield to maturity basis by using the benchmark rate / matrix of spread over risk free benchmark yield obtained from CRISIL and ICRA.

Non-traded debt securities (i.e. securities not traded on a day) with a residual maturity upto 60 days are valued at last valuation price plus the difference between redemption price and last valuation price, spread uniformly over the remaining maturity period of the instrument.

1.4 Income Recognition

Interest income on all interest bearing investment is recognised on daily accrual basis; when investments are purchased, interest paid for the period from the last interest due date up to the date of purchase is debited to Interest Recoverable Account and not included in cost of purchase. Similarly interest received at the time of sale for the period from the last interest due date up to the date of sale credited to Interest Recoverable Account and not included in sale value.

Accretion of discount and amortisation of premium relating to debt securities is recognised over the holding / maturity period on a straight-line basis.

Profit or loss on sale of equity is the difference between the sale consideration net of expenses and the weighted average book cost as on the date of sale.

Profit or loss on sale of mutual fund units is the difference between the sale consideration net of expenses and the weighted average book cost.

1.5 Non-Performing Assets

An investment is regarded as non-performing, if interest/principal or both amount has not been received or has remained outstanding for 90 days from the day such income/instalment has fallen due.

Where income receivable on investments has accrued but has not been received for a period of 90 days beyond the due date, provision is made by debiting to the Revenue Account for the income so accrued and no further accrual of income shall be made in respect of such investments.

Income on non-performing assets (NPA) are recognised on receipt and other incomes of miscellaneous nature are accounted for when there is certainty of collection.

1.6 Units reconciliation

The subscribers' units as per Investment management system are reconciled with Central Recordkeeping Agency (CRA) records on daily basis.

1.7 Investment management fees

Investment management fees are recognised on daily accrual basis on closing Asset Under Management (AUM) in accordance with IMA. The Investment management fee is inclusive of brokerage but excludes custodian charges and applicable taxes, if any.

The Company has started charging investment management fee of 0.01% per annum (inclusive of brokerage but excluding custodian charges and applicable taxes), with effect from August 01, 2014, in terms of the Pension Fund Regulatory and Development Authority's circular no. PFRDA/6/PFM/9/2 dated July 31, 2014.

The investment management fees charged until July 31, 2014 was 0.25% per annum (inclusive of brokerage but excluding custodian charges and applicable taxes), in terms of the Pension Fund Regulatory and Development Authority's circular no. PFRDA/CIR/1/PFM/1.

1.8 Other Expenses

Custody charges are recognised on daily accrual basis in accordance with IMA. Trustee bank charges, if any, are recognised when they are debited by the trustee bank on a quarterly basis.

1.9 Unit Premium Reserve

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the Unit Premium Reserve of the Scheme.

2. NAV

NAV disclosed in the Balance Sheet for the previous year is as of March 31, 2014 however, for the FY 2013-14, the last business day was March 28, 2014 and hence, the last declared NAV was as of March 28, 2014.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER II

Notes to accounts

2.1 Contingent liabilities

Particulars	(In ₹)	
	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Uncalled liability on partly paid shares	-	-
Other commitments	-	-

2.2 Investments

All investments are performing investments. All investments of the scheme are in the name of the NPS Trust. All investments are traded investments.

2.3 Details of transactions with sponsor and its related parties

Nature of relationship	Name of the related party
Pension fund manager	HDFC Pension Management Company Limited
Sponsor company	HDFC Standard Life Insurance Company Limited
Associates and group companies	
Holding Company	HDFC Limited
Mr. Amitabh Chaudhry	Key Management Personnel
Ms. Vibha Padalkar	Key Management Personnel
Mr. Sumit Shukla	Key Management Personnel

The following represents significant transactions between the Company and its related parties for the year ended March 31, 2015

Nature of Transaction	(In ₹)	
	For the year ended March 31, 2015	For the period ended March 31, 2014 ^
	Amount	Amount
Investment management fees	627	162

Balances with HDFC Pension Management Company Limited are as follows:

Nature of Transaction	(In ₹)	
	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Investment management fees payable	98	162

^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.

Aggregate investments made in the Associates and group companies as at March 31, 2015 are as follows:

Name of the Company	Asset type	As at March 31, 2015		As at March 31, 2014	
		Cost	Market Value	Cost	Market Value
		-	-	-	-

Investment with other Group Companies

Nature of relationship	Name of the related party
Associates of Holding Company	HDFC Bank Limited

Aggregate investments made in the other group companies as at March 31, 2015 are as follows:

Name of the Company	Asset type	As at March 31, 2015		As at March 31, 2014	
		Cost	Market Value	Cost	Market Value
		-	-	-	-

2.4 Provision

There are no provisions for doubtful deposits, debts and outstanding and accrued income.

2.5 Aggregate value of purchase and sale with percentage to average assets

Aggregate value of purchase and sale with percentage to average assets as at March 31, 2015 is as follows :

Particular	(In ₹)	
	For the year ended March 31, 2015	For the period ended March 31, 2014
Average Net Asset Value	1,464,468	97,318
Purchase of Investment	28,135,556	1,515,907
% to average Net Assets Value	1921.00%	1557.69%
Sale of Investment	21,537,586	1,180,663
% to average Net Assets Value	1471.00%	1213.21%

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER II

Notes to accounts

Aggregate value of purchase and sale (excluding liquid mutual fund)* with percentage to average assets as at March 31, 2015 is as follows :

Particular	(In ₹)	
	For the year ended March 31, 2015	For the period ended March 31, 2014
Average Net Asset Value	1,464,468	97,318
Purchase of Investment	5,339,453	-
% to average Net Assets Value	365.00%	-
Sale of Investment	-	-
% to average Net Assets Value	-	-

*Liquid mutual fund investments are held for day to day cash management, hence excluded

2.6 Investments falling under each major industry group

The total value of investments falling under each major industry group (which constitutes not less than 5% of the total investments in the major classification of the financials) are disclosed as under:

Industry Classification	(In ₹)			
	As at March 31, 2015		As at March 31, 2014	
	Market value	% of Industry Classification	Market value	% of Industry Classification
Other credit granting	3,087,475	43.56%	-	-
Activities of holding companies	1,072,511	15.13%	-	-
Activities of specialized institutions granting credit for house purchases	1,030,450	14.54%	-	-
Mutual Funds	1,719,001	24.25%	340,966	100.02%
Net Current Assets	179,219	2.53%	-66	-0.02%
Net Asset Value	7,088,656	100.00%	340,900	100.00%

Note :

- 1) Industry classification has been taken at sub class level of National Industrial Classification (NIC) 2008.
- 2) Previous year's figures are regrouped basis the current year's industry exposure.

2.7 Prior Year Comparatives :

The Figures of the previous period have been regrouped / rearranged, wherever applicable, to confirm current year's presentation.

2.8 Note on status of litigation matters with PFRDA

In January 2014, a Request for Proposal ("RFP") was floated by the PFRDA seeking fresh bids for selection of pension fund managers afresh to manage the pension funds. In response to the RFP, HDFC Life ("the Sponsor") submitted its technical and commercial bid to be selected as a Sponsor. The technical bid made under RFP was opened in April 2014 and the bid submitted by the Sponsor was not accepted by the PFRDA on technical grounds of not having profitability for a period of 3 years at the time of submission of the bid. The Sponsor along with the Company, therefore, filed a Writ Petition before the Hon'ble High Court of Delhi, challenging the said rejection. The Hon'ble High Court of Delhi by its Order dated May 15, 2014 quashed and set aside the PFRDA's rejection of the Sponsor's bid and directed the PFRDA to evaluate the bid in accordance with the steps set out in the RFP. Pursuant thereto, while the PFRDA cleared the Sponsor's technical and commercial bid and the Sponsor even agreed to match the lowest commercial bid, the PFRDA declined to grant the Sponsor a Letter of Appointment.

The Sponsor along with the Company, therefore, filed a Writ Petition before the Hon'ble High Court of Delhi, which, vide its Order dated December 18, 2014 set aside the rejection of the Sponsor's bid and directed the PFRDA to grant HDFC Life a Letter of Appointment to act as a Sponsor. Subsequently, the PFRDA has filed a Special Leave Petition before the Hon'ble Supreme Court of India challenging the above said Order dated December 18, 2014. The Hon'ble Supreme Court has, by its Order dated March 9, 2015, refused to grant the PFRDA any ad-interim relief and has also directed the Sponsor to file its counter affidavit to the Petition. The matter is presently pending hearing. On March 27, 2015, complying with the High Court order, the PFRDA has issued a Letter of Appointment in favour of the Sponsor, stating inter alia that such appointment is subject to the outcome of the above proceedings filed before the Hon'ble Supreme Court. Further, as per the opinion obtained by the Company in this regard from a legal expert, the Company stands a fairly good chance of succeeding in the matter.

It may be noted that this would not have any impact on the subscriber as the assets and funds of the subscribers of National Pension System are held by NPS Trust, while HDFC Pension acts as a Fund Manager only.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER II

2.9 PORTFOLIO STATEMENT AS ON MARCH 31, 2015

(In ₹)				
Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Non-convertible Debenture	9.69% Tata Sons Ltd NCD Mat 12-Jun-2022	1	1,072,511	15.13%
	8.83%IRFC NCD Mat 14-May-2034	1	1,068,209	15.07%
	9.45% LIC Housing Finance Co. Ltd. Mat-10-Sept-2019	1	1,030,450	14.54%
	8.55% Power Finance Corporation Ltd.Mat-09-DEC-2021	1	1,011,727	14.27%
	8.44% Rural Electrification Corp Ltd Mat 04-Dec-2021	1	1,007,539	14.21%
<u>Non-convertible Debenture Total</u>		5	5,190,436	73.22%
Mutual Fund Units	Reliance Liquidity Fund - Direct Growth Plan - Growth Option	816	1,719,001	24.25%
<u>Mutual Fund Units Total</u>		816	1,719,001	24.25%
<u>Net Current Assets</u>		-	179,219	2.53%
Grand Total		821	7,088,656	100.00%

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER II

3 KEY STATISTICS FOR THE YEAR ENDED MARCH 31, 2015

Sr No	Particulars	For the year ended March 31, 2015	For the period ended March 31, 2014 ^
1	NAV per unit (₹) I		
	Open	10.6116	9.9999
	High	11.6208	10.6116
	Low	10.6284	9.9998
	End @	11.6208	10.6116
2	Closing Assets Under Management (₹ in Lakhs)		
	End	70.89	3.41
	Average daily net assets (AAuM) II	14.64	0.97
3	Gross income as % of AAuM III	10.39%	5.88%
4	Expense ratio		
a	Total expense as % of AAuM (scheme wise) IV	0.05%	0.19%
b	Management fee as % of AAuM (scheme wise) V	0.04%	0.28%
5	Net income as % of AAuM VI	10.28%	5.69%
6	Portfolio turnover ratio VII	0.00%	0.00%
7	Total dividend per unit distributed during the period	N.A.	N.A.
8	Returns: (%)		
a	Last one year VIII	9.51%	N.A.
	Benchmark VIII	14.67%	N.A.
b	Since inception VIII	16.21%	6.12%
	Benchmark VIII	19.93%	4.59%
c	Compound annualised yield (%) IX		
	Last 1 year	9.51%	N.A.
	Last 3 years	N.A.	N.A.
	Last 5 years	N.A.	N.A.
	Since launch of the scheme	9.45%	9.49%
	Launch Date	August 01, 2013	
I	NAV = (Market value of investment held by scheme + value of current assets - value of current liability and provisions, if any) / (no. of units at the valuation date (before creation/ redemption of units))		
II	AAuM = Average daily net assets		
III	Gross income = Income includes Interest, Dividend, Realised/Unrealised Gain		
IV	Total expenses = Expenses include management fees, custody fees, trustee bank charges but excludes Unrealised /Realised loss		
V	Management fee as % of AAuM is annualised		
VI	Net income = Total income less Total expenses and losses		
VII	Portfolio turnover = Lower of sales or purchase divided by the average AUM for the period. Investments in liquid mutual fund is excluded from the turnover as the same is primarily for liquidity management		
VIII	Due to small fund size of Tier II Scheme C, investment has been made temporarily in Liquid Mutual Fund. The fund has started investment as per scheme objective in the month of March, 2015. Hence, Fund performance of the scheme for the period is not comparable with the benchmark.		
IX	Compounded annualised yield is to be calculated based on following formula: = (1+ cumulative return) ⁿ -1 (where n=365/no. of days)		
	@ The declared NAV of March 28, 2014 is considered for previous year, as NAV for March 31, 2014 was not declared on account of holiday.		
	^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.		



NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I

Financial Statements together with Auditors' Report

For the Financial year ended March 31, 2015

Contents

Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

INDEPENDENT AUDITORS' REPORT

To,

The Board of Trustees
National Pension System (NPS) Trust
1st Floor, ICADR Building,
6, Vasant Kunj Institutional Area- Phase II,
New Delhi 110 070

Report on Financial Statements

1. We have audited the accompanying financial statements of **NPS Trust A/c HDFC Pension Fund Scheme G – Tier I under the National Pension System Trust (NPS Trust)** managed by **HDFC Pension Management Company Ltd.** (PFM) which comprise of the Balance Sheet as at March 31, 2015 and the Revenue Account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management of the PFM, in accordance with the Pension Fund Regulatory and Development Authority (PFRDA) Guidelines and the Investment Management Agreement (IMA) with the NPS Trust, is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA to Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012 and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Scheme as of March 31, 2015;
 - b) in the case of the Revenue Account, of the surplus of the Scheme for the year ended on that date:

Emphasis of Matter

7. Without modifying our opinion, we invite attention to Note 2.8 of Schedule 7 in connection with litigation relating to granting of license to PFM to undertake pension management under the National Pension System by PFRDA.

Report on Other Legal and Regulatory Requirements

8. As required by the PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended, we report that:
 - a) We have obtained all information and explanations which to the best our knowledge and belief were necessary for the purpose of the audit.
 - b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
 - c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.

- d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
 - e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA.
9. We further certify that
- a) Investments have been valued in accordance with the guidelines issued by the Authority.
 - b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fee.

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Place: Mumbai
Dated:

Atul Shah
Partner
Membership No. 39569

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I

BALANCE SHEET AS AT MARCH 31, 2015

(In ₹)

Particulars	Schedule	As at March 31, 2015	As at March 31, 2014
		Amount	Amount
Sources of funds			
Unitholders Funds			
Unit Capital	1	139,818,985	19,444,475
Reserves & Surplus	2	33,286,326	646,530
Current Liabilities and Provisions	3	11,879,096	18,897
Borrowings			
Total		184,984,407	20,109,902
Application of funds			
Investments (Long term and short term)	4	170,792,641	19,739,911
Deposits	5	-	-
Other Current Assets	6	14,191,766	369,991
Total		184,984,407	20,109,902
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		173,105,311	20,091,005
(b) Number of units outstanding		13,981,898	1,944,448
(c) NAV per unit (a)/(b) (₹) (Refer Schedule 7 Note 1.9)		12.3806	10.3325
Significant accounting policies and notes to accounts	7		

The notes referred to above form an integral part of the financial statements.

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

As per our report of even date

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Sumit Shukla
(Chief Executive Officer)

Nagesh Pai
(Company Secretary)

Atul Shah
(Partner)
Membership No.39569

Place : Mumbai

Date : April 16, 2015

For and on Behalf of NPS Trust

G.N. Bajpai
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2015

(In ₹)

Particulars	Schedule	For the year ended March 31, 2015	For the period ended March 31, 2014 ^
		Amount	Amount
Income & Gain			
Interest income		5,995,628	382,152
Dividend income		-	-
Profit on sale/redemption of investments (other than inter-scheme transfer/sale)		213,216	10,001
Unrealised gain on appreciation in investments		6,840,709	53,628
Total Income & Gain (A)		13,049,553	445,781
Expenses & Losses			
Unrealised losses in value of investments		580	-
Management fees		34,940	12,924
Custodian fees		6,155	388
CRA fees		266,302	14,045
Less : Amount recovered on sale of units on account of CRA Charges		(266,302)	(14,045)
Total Expenses & Losses (B)		41,675	13,312
Net income/(expenditure) for the period (A-B = C)		13,007,878	432,469
Balance at the beginning of the period		378,841	-
Net Unrealised appreciation in value of Investment transferred from/ (to) Unrealised Appreciation Reserve		(6,840,129)	(53,628)
Balance at the end of the period carried to Balance Sheet		6,546,590	378,841
Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis.		17.47%	6.45%
Total expenditure expressed as a percentage of average net assets, calculated on a daily basis.		0.06%	0.19%
Significant accounting policies and notes to accounts	7		

^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.

The notes referred to above form an integral part of the financial statements.

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

As per our report of even date

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No.104767W

Sumit Shukla
(Chief Executive Officer)

Nagesh Pai
(Company Secretary)

Atul Shah
(Partner)
Membership No.39569

Place : Mumbai

Date : April 16, 2015

For and on Behalf of NPS Trust

G.N. Bajpai
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I

Schedules forming part of the financial statements

Schedule 1: Unit capital

(In ₹)

Particulars	As at March 31, 2015		As at March 31, 2014 ^	
	Units	Amount	Units	Amount
Initial capital				
Unit capital				
Opening balance	1,944,447	19,444,475	-	-
Additions during the period	12,139,320	121,393,204	1,951,073	19,510,733
Deduction during the period	(101,869)	(1,018,694)	(6,626)	(66,258)
Closing balance	13,981,898	139,818,985	1,944,447	19,444,475

Schedule 2: Reserves and surplus

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014 ^
	Amount	Amount
Unit premium reserve		
Opening balance	214,061	-
Additions during the period	19,802,161	215,527
Deduction during the period	(170,243)	(1,466)
Closing balance	19,845,979	214,061
Unrealised Appreciation Reserve		
Opening balance	53,628	-
Change in net unrealised appreciation in value of investments	6,840,129	53,628
Closing balance	6,893,757	53,628
Surplus/(deficit) in Revenue account		
Opening balance	378,841	-
Additions during the period	6,167,749	378,841
Deduction during the period	-	-
Closing balance	6,546,590	378,841
General reserve*	-	-
Appropriation account*	-	-
Total	33,286,326	646,530

* The balances have been nil throughout the period

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014 ^
	Amount	Amount
Current liabilities		
Sundry creditors	6,212	13,313
Contracts for purchase of investments	11,749,160	-
Unit redemption payable	123,724	5,584
Provisions	-	-
Total	11,879,096	18,897

^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I

Schedules forming part of the financial statements

Schedule 4: Investments

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Central and state government securities (including treasury bills)	170,774,141	18,848,831
Others - Mutual funds	18,500	891,080
Total	170,792,641	19,739,911

Schedule 5: Deposits

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Deposits with scheduled banks	-	-
Others	-	-
Total	-	-

Schedule 6: Other current assets

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Balances with banks in current / saving account	526	360
Sundry debtors	11,749,160	-
Outstanding and accrued income	2,442,080	369,631
Total	14,191,766	369,991

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I

Schedule 7

Significant accounting policies & notes to accounts for the year ended March 31, 2015

1.1 Background

HDFC Pension Management Company Limited ('the Company') has been appointed as a Pension Fund Manager ('PFM') by the Pension Fund Regulatory and Development Authority ("PFRDA") for the management of Pension Schemes under the National Pension System ('NPS'). Accordingly, the Company has entered into an Investment Management Agreement ('IMA') with NPS Trust. The Pension Fund Regulatory and Development Authority ("PFRDA" / "Authority") guidelines require each PFM to manage subscribers' funds. As per unbundled architecture of the NPS, the main responsibility of PFM is to manage funds in accordance with the laid down guidelines and declare NAV. As per the architecture, the NSDL e-Governance Infrastructure Ltd., being the Central Recordkeeping Agency (CRA) provides consolidated data to PFM for allotment / redemption of units and Axis Bank, being the Trustee Bank, provides / receives funds on consolidated basis in respect of such allotment / redemption.

Central Record Keeping Agency (CRA): National Securities Depository Limited (NSDL) and PFRDA have set up Central Recordkeeping Agency (CRA) for the NPS

Some of the key responsibilities of the CRA include the following:

- Record keeping, Administration and Customer service function for NPS subscriber,
- Providing Unique Permanent Retirement Account Number (PRAN) to each subscriber,
- Maintaining database of all PRANs issued and recording transactions relating to each subscribers PRAN,
- PRAN Transaction Statement,
- An operational interface between PFRDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trust Bank etc.

CRA is responsible to resolve all queries pertaining to investors. CRA informs about the fund flow to Pension Fund Managers (PFM) and also instruct AXIS Bank to credit PFM's pool account maintained with them.

NPS trust has designated Stock Holding Corporation of India Ltd. (SHCIL) as the custodian, who is responsible for safe custody of securities and settlements of trades.

The fees payable to CRA, in terms of IMA, is charged to the investor by redeeming the equivalent number of units on receipt of intimation from CRA. As stated above, the amount of funds received from the subscribers is intimated by the Trustee Bank on consolidated basis on T+2 basis. PFM records the same on receipt basis. Accordingly, funds with Trustee Bank at the yearend do not get reflected in the financial statements.

1.2 Basis of preparation

The financial statements have been prepared to comply with the Pension Fund Regulatory and Development Authority Act, 2013, PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012, Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012 and generally accepted accounting principles. These financial statements have been prepared on an accrual basis, except as otherwise stated.

The financials have been prepared for SCHEME G TIER I being managed by the Company.

The Company manages six separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C and G based on the asset class prescribed under the NPS as follows:

Scheme E - Equity market instruments

Scheme C - Credit risk bearing fixed income instruments

Scheme G - Government securities

1.3 Investments

Transactions for purchase and sale of securities are accounted on trade date.

The holding cost of investments is determined by the weighted average cost method and the cost does not include brokerage and other transaction charges.

The cost of investments acquired or purchased includes applicable taxes and stamp charges but exclude brokerage and other transactional charges.

Investments are reconciled with the custodian records on daily basis.

Valuation of Investments

The scheme marks all investments to market and carries investments in the Balance Sheet at the market value as on Balance Sheet date / date of determination / date of valuation.

The change in unrealised appreciation/depreciation in the value of investments is determined separately for each assets category at the year-end and is recognised in the Revenue Account. The change in net unrealised appreciation, if any, is transferred to /from "Unrealised Appreciation Reserve" shown as part of Reserves and Surplus.

As per directive received from NPS Trust, the valuation of investments is carried out by Stock Holding Corporation of India Limited (SHCIL) effective April 1, 2011. The Investment valuation methodology adopted by SHCIL is as follows:

The following valuation norms are as prescribed by PFRDA (Preparation of Financial Statements and Auditor's Report of schemes under National Pension System) Guidelines - 2012.

Central government securities are valued at the aggregated prices received from independent valuation agencies CRISIL & ICRA on the particular valuation day.

Treasury bills are valued at amortised cost. If they are traded, then they are valued at the last traded price on National Stock Exchange (NSE).

Mutual fund units are valued based on the net asset value of the preceding day of the valuation date.

1.4 Income Recognition

Interest income on all interest bearing investment is recognised on daily accrual basis; when investments are purchased, interest paid for the period from the last interest due date upto the date of purchase is debited to Interest Recoverable Account and not included in cost of purchase. Similarly interest received at the time of sale for the period from the last interest due date upto the date of sale credited to Interest Recoverable Account and not included in sale value.

Accretion of discount relating to Treasury bills is recognised over the holding / maturity period on a straight-line basis.

Profit or loss on sale of Government securities is the difference between the sale consideration net of expenses and the weighted average amortised cost as on the date of sale.

Profit or loss on sale of mutual fund units is the difference between the sale consideration net of expenses and the weighted average book cost.

1.5 Non-Performing Assets

An investment is regarded as non-performing, if interest/principal or both amount has not been received or has remained outstanding for 90 days from the day such income/instalment has fallen due.

Where income receivable on investments has accrued but has not been received for a period of 90 days beyond the due date, provision is made by debiting to the Revenue Account for the income so accrued and no further accrual of income shall be made in respect of such investments.

Income on non-performing assets (NPA) are recognised on receipt and other incomes of miscellaneous nature are accounted for when there is certainty of collection.

1.6 Units reconciliation

The subscribers' units as per Investment management system are reconciled with Central Recordkeeping Agency (CRA) records on daily basis.

1.7 Investment management fees

Investment management fees are recognised on daily accrual basis on closing Asset Under Management (AUM) in accordance with IMA. The Investment management fee is inclusive of brokerage but excludes custodian charges and applicable taxes, if any.

The Company has started charging investment management fee of 0.01% per annum (inclusive of brokerage but excluding custodian charges and applicable taxes), with effect from August 01, 2014, in terms of the Pension Fund Regulatory and Development Authority's circular no. PFRDA/6/PFM/9/2 dated July 31, 2014.

The investment management fees charged until July 31, 2014 was 0.25% per annum (inclusive of brokerage but excluding custodian charges and applicable taxes), in terms of the Pension Fund Regulatory and Development Authority's circular no. PFRDA/CIR/1/PFM/1.

1.8 Other Expenses

Custody charges are recognised on daily accrual basis in accordance with IMA. Trustee bank charges, if any, are recognised when they are debited by the trustee bank on a quarterly basis.

1.9 Unit Premium Reserve

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the Unit Premium Reserve of the Scheme.

2. NAV

NAV disclosed in the Balance Sheet for the previous year is as of March 31, 2014 however, for the FY 2013-14, the last business day was March 28, 2014 and hence, the last declared NAV was as of March 28, 2014.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I

Notes to accounts

2.1 Contingent liabilities

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Uncalled liability on partly paid shares	-	-
Other commitments	-	-

2.2 Investments

All investments are performing investments. All investments of the scheme are in the name of the NPS Trust. All investments are traded investments.

2.3 Details of transactions with sponsor and its related parties

Nature of relationship	Name of the related party
Pension fund manager	HDFC Pension Management Company Limited
Sponsor company	HDFC Standard Life Insurance Company Limited
Associates and group companies	
Holding Company	HDFC Limited
Mr. Amitabh Chaudhry	Key Management Personnel
Ms. Vibha Padalkar	Key Management Personnel
Mr. Sumit Shukla	Key Management Personnel

The following represents significant transactions between the Company and its related parties for the year ended March 31, 2015

(In ₹)

Nature of Transaction	For the year ended March 31, 2015	For the period ended March 31, 2014 ^
	Amount	Amount
Investment management fees	34,940	11,503

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Investment management fees payable	3,061	11,503

^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.

Aggregate investments made in the Associates and group companies as at March 31, 2015 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2015		As at March 31, 2014	
		Cost	Market Value	Cost	Market Value
		-	-	-	-

Investment with other Group Companies

Nature of relationship	Name of the related party
Associates of Holding Company	HDFC Bank Limited

Aggregate investments made in the other group companies as at March 31, 2015 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2015		As at March 31, 2014	
		Cost	Market Value	Cost	Market Value
		-	-	-	-

2.4 Provision

There are no provisions for doubtful deposits, debts and outstanding and accrued income.

2.5 Aggregate value of purchase and sale with percentage to average assets

Aggregate value of purchase and sale with percentage to average assets as at March 31, 2015 is as follows :

(In ₹)

Particular	For the year ended March 31, 2015	For the period ended March 31, 2014
Average Net Asset Value	74,693,163	6,911,321
Purchase of Investment	243,295,270	47,210,339
% to average Net Assets Value	326.00%	683.09%
Sale of Investment	96,611,139	27,167,243
% to average Net Assets Value	129.00%	393.08%

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I

Notes to accounts

Aggregate value of purchase and sale (excluding liquid mutual fund)* with percentage to average assets as at March 31, 2015 is as follows :

Particular	(In ₹)	
	For the year ended March 31, 2015	For the period ended March 31, 2014
Average Net Asset Value	74,693,163	6,911,321
Purchase of Investment	154,606,320	19,235,985
% to average Net Assets Value	207.00%	278.33%
Sale of Investment	7,014,332	73,516
% to average Net Assets Value	9.00%	1.06%

*Liquid mutual fund investments are held for day to day cash management, hence excluded

2.6 Investments falling under each major industry group

The total value of investments falling under each major industry group (which constitutes not less than 5% of the total investments in the major classification of the financials) are disclosed as under:

Industry Classification	(In ₹)			
	As at March 31, 2015		As at March 31, 2014	
	Market value	% of Industry Classification	Market value	% of Industry Classification
Central Government Securities	167,514,445	96.77%	18,848,831	93.82%
State Development Loans	3,259,696	1.88%	-	-
Mutual Funds	18,500	0.01%	891,080	4.44%
Net Current Assets	2,312,670	1.34%	351,094	1.75%
Net Asset Value	173,105,311	100.00%	20,091,005	100.00%

Note :

- 1) Industry classification has been taken at sub class level of National Industrial Classification (NIC) 2008.
- 2) Previous year's figures are regrouped basis the current year's industry exposure.

2.7 Prior Year Comparatives :

The Figures of the previous period have been regrouped / rearranged, wherever applicable, to confirm current year's presentation.

2.8 Note on status of litigation matters with PFRDA

In January 2014, a Request for Proposal ("RFP") was floated by the PFRDA seeking fresh bids for selection of pension fund managers afresh to manage the pension funds. In response to the RFP, HDFC Life (the Sponsor) submitted its technical and commercial bid to be selected as a Sponsor. The technical bid made under RFP was opened in April 2014 and the bid submitted by the Sponsor was not accepted by the PFRDA on technical grounds of not having profitability for a period of 3 years at the time of submission of the bid. The Sponsor along with the Company, therefore, filed a Writ Petition before the Hon'ble High Court of Delhi, challenging the said rejection. The Hon'ble High Court of Delhi by its Order dated May 15, 2014 quashed and set aside the PFRDA's rejection of the Sponsor's bid and directed the PFRDA to evaluate the bid in accordance with the steps set out in the RFP. Pursuant thereto, while the PFRDA cleared the Sponsor's technical and commercial bid and the Sponsor even agreed to match the lowest commercial bid, the PFRDA declined to grant the Sponsor a Letter of Appointment.

The Sponsor along with the Company, therefore, filed a Writ Petition before the Hon'ble High Court of Delhi, which, vide its Order dated December 18, 2014 set aside the rejection of the Sponsor's bid and directed the PFRDA to grant HDFC Life a Letter of Appointment to act as a Sponsor. Subsequently, the PFRDA has filed a Special Leave Petition before the Hon'ble Supreme Court of India challenging the above said Order dated December 18, 2014. The Hon'ble Supreme Court has, by its Order dated March 9, 2015, refused to grant the PFRDA any ad-interim relief and has also directed the Sponsor to file its counter affidavit to the Petition. The matter is presently pending hearing. On March 27, 2015, complying with the High Court order, the PFRDA has issued a Letter of Appointment in favour of the Sponsor, stating inter alia that such appointment is subject to the outcome of the above proceedings filed before the Hon'ble Supreme Court. Further, as per the opinion obtained by the Company in this regard from a legal expert, the Company stands a fairly good chance of succeeding in the matter.

It may be noted that this would not have any impact on the subscriber as the assets and funds of the subscribers of National Pension System are held by NPS Trust, while HDFC Pension acts as a Fund Manager only.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I

2.9 PORTFOLIO STATEMENT AS ON MARCH 31, 2015

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Central Government Securities	9.23% GOI MAT 23-Dec-2043	274,300	31,640,505	18.28%
	9.20% GOI Mat 30-Sep-2030	216,200	24,175,484	13.97%
	8.28% GOI Mat 21-Sep-2027	173,700	18,023,112	10.41%
	8.28% GOI Mat 15-Feb-2032	148,300	15,482,520	8.94%
	8.30% GOI Mat 31-Dec-2042	138,400	14,547,224	8.40%
	8.30% GOI MAT 02-July-2040	126,000	13,235,040	7.65%
	8.24% GOI MAT 15 Feb 2027	125,700	12,973,497	7.49%
	8.60% GOI MAT 2JUN2028	114,400	12,235,938	7.07%
	8.32% GOI Mat 02-Aug-2032	69,900	7,315,035	4.23%
	8.17% GOI MAT 01-Dec-2044	28,000	2,924,600	1.69%
	8.83% GOI MAT 25 Nov 2023	27,500	2,923,525	1.69%
	8.12% GOI Mat 10-Dec-2020	27,500	2,788,500	1.61%
	8.26% GOI Mat 02-Aug-2027	24,900	2,570,925	1.49%
	8.20% GOI Mat 24-Sep-2025	22,400	2,296,896	1.33%
	8.33% GOI Mat 09-Jul-2026	17,100	1,769,850	1.02%
	8.33% GOI Mat-07-Jun-2036	8,000	838,484	0.48%
	8.83% GOI Mat 12-Dec-2041	7,100	785,260	0.45%
	7.16% GOI Mat 20-May-2023	6,300	604,485	0.35%
	7.28% GOI Mat 03-Jun-2019	3,900	383,565	0.22%
Central Government Securities Total		1,559,600	167,514,445	96.77%
State Development Loans	9.77% Andhra Pradesh SDL Mat 28-Aug-2023	10,000	1,099,288	0.64%
	9.49% Tamil Nadu SDL Mat 18-Dec-2023	10,000	1,083,168	0.63%
	9.39% Maharashtra SDL 20-Nov-2023	10,000	1,077,240	0.62%
State Development Loans Total		30,000	3,259,696	1.88%
Mutual Fund Units	Birla Sun Life Cash Plus - Growth - Direct Plan	82.4240	18,500	0.01%
Mutual Fund Units Total		82.4240	18,500	0.01%
Net Current Assets		-	2,312,670	1.34%
Grand Total		1,589,682	173,105,311	100.00%

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I

3 KEY STATISTICS FOR THE YEAR ENDED MARCH 31, 2015

Sr No	Particulars	For the year ended March 31, 2015	For the period ended March 31, 2014 ^
1	NAV per unit (₹) I Open High Low End @	10.3277 12.4007 10.1566 12.3806	9.9999 10.349 9.6357 10.3277
2	Closing Assets Under Management (₹ in Lakhs) End Average daily net assets (AAuM) II	1,731.05 746.93	200.91 69.11
3	Gross income as % of AAuM III	17.47%	6.45%
4	Expense ratio a Total expense as % of AAuM (scheme wise) IV b Management fee as % of AAuM (scheme wise) V	0.06% 0.05%	0.19% 0.28%
5	Net income as % of AAuM VI	17.42%	6.26%
6	Portfolio turnover ratio VII	9.39%	1.06%
7	Total dividend per unit distributed during the period	N.A.	N.A.
8	Returns: (%) a Last one year Benchmark b Since inception Benchmark c Compound annualised yield (%) VIII Last 1 year Last 3 years Last 5 years Since launch of the scheme Launch Date	19.88% 20.08% 23.81% 22.23% 19.88% N.A. N.A. 13.70%	N.A. N.A. 3.28% 1.79% N.A. N.A. N.A. 5.05%
		August 01, 2013	
I	NAV = (Market value of investment held by scheme + value of current assets - value of current liability and provisions, if any) / (no. of units at the valuation date (before creation/ redemption of units))		
II	AAuM = Average daily net assets		
III	Gross income = Income includes Interest, Dividend, Realised/Unrealised Gain		
IV	Total expenses = Expenses include management fees, custody fees, trustee bank charges but excludes Unrealised /Realised loss		
V	Management fee as % of AAuM is annualised		
VI	Net income = Total income less Total expenses and losses		
VII	Portfolio turnover = Lower of sales or purchase divided by the average AUM for the period. Investments in liquid mutual fund is excluded from the turnover as the same is primarily for liquidity management		
VIII	Compounded annualised yield is to be calculated based on following formula: = (1+ cumulative return) ⁿ -1 (where n=365/no. of days)		
	@ The declared NAV of March 28, 2014 is considered for previous year, as NAV for March 31, 2014 was not declared on account of holiday.		
	^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.		



**NPS TRUST A/C HDFC PENSION MANAGEMENT
COMPANY LIMITED - SCHEME G TIER II**

**Financial Statements together
with Auditors' Report**

For the Financial year ended March 31, 2015

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Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

INDEPENDENT AUDITORS' REPORT

To,

The Board of Trustees
National Pension System (NPS) Trust
1st Floor, ICADR Building,
6, Vasant Kunj Institutional Area- Phase II,
New Delhi 110 070

Report on Financial Statements

1. We have audited the accompanying financial statements of **NPS Trust A/c HDFC Pension Fund Scheme G – Tier II under the National Pension System Trust (NPS Trust)** managed by **HDFC Pension Management Company Ltd.** (PFM) which comprise of the Balance Sheet as at March 31, 2015 and the Revenue Account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management of the PFM, in accordance with the Pension Fund Regulatory and Development Authority (PFRDA) Guidelines and the Investment Management Agreement (IMA) with the NPS Trust, is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA to Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment or the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012 and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Scheme as of March 31, 2015;
 - b) in the case of the Revenue Account, of the surplus of the Scheme for the year ended on that date:

Emphasis of Matter

7. Without modifying our opinion, we invite attention to Note 2.8 of Schedule 7 in connection with litigation relating to granting of license to PFM to undertake pension management under the National Pension System by PFRDA.

Report on Other Legal and Regulatory Requirements

8. As required by the PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended, we report that:
 - a) We have obtained all information and explanations which to the best our knowledge and belief were necessary for the purpose of the audit.
 - b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
 - c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.

- d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
 - e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA.
9. We further certify that
- a) Investments have been valued in accordance with the guidelines issued by the Authority.
 - b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fee.

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Place: Mumbai
Dated:

Atul Shah
Partner
Membership No. 39569

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER II

BALANCE SHEET AS AT MARCH 31, 2015

(In ₹)

Particulars	Schedule	As at March 31, 2015	As at March 31, 2014
		Amount	Amount
Sources of funds			
Unitholders Funds			
Unit Capital	1	2,339,290	307,299
Reserves & Surplus	2	620,390	18,337
Current Liabilities and Provisions	3	977	143
Borrowings			
Total		2,960,657	325,779
Application of funds			
Investments (Long term and short term)	4	2,916,344	320,920
Deposits	5	-	-
Other Current Assets	6	44,313	4,859
Total		2,960,657	325,779
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		2,959,680	325,636
(b) Number of units outstanding		233,929	30,730
(c) NAV per unit (a)/(b) (₹) (Refer Schedule 7 Note 1.9)		12.6520	10.5967
Significant accounting policies and notes to accounts	7		

The notes referred to above form an integral part of the financial statements.

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

As per our report of even date

Amitabh Chaudhry
Director

Vibha Padalkar
Director

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Sumit Shukla
Chief Executive Officer

Nagesh Pai
Company Secretary

Atul Shah
Partner
Membership No.39569

Place : Mumbai

Date : April 16, 2015

For and on Behalf of NPS Trust

G.N. Bajpai
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER II

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2015

(In ₹)

Particulars	Schedule	For the year ended	For the period ended
		March 31, 2015	March 31, 2014 ^
		Amount	Amount
Income & Gain			
Interest income		96,476	3,682
Profit on sale/redemption of investments (other than inter-scheme transfer/sale)		5,147	499
Unrealised gain on appreciation in investments		103,519	1,220
Total Income & Gain (A)		205,142	5,401
Expenses & Losses			
Unrealised losses in value of investments		12	-
Management fees		607	139
Custodian fees		99	5
CRA fees		2,033	54
Less : Amount recovered on sale of units on account of CRA Charges		(2,033)	(54)
Total Expenses & Losses (B)		718	144
Net income/(expenditure) for the year (A-B = C)		204,424	5,257
Balance at the beginning of the period		4,037	-
Net Unrealised appreciation in value of Investment transferred from/ (to) Unrealised Appreciation Reserve		(103,507)	(1,220)
Balance at the end of the period carried to Balance Sheet		104,954	4,037
Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis.		16.82%	7.26%
Total expenditure expressed as a percentage of average net assets, calculated on a daily basis.		0.06%	0.19%
Significant accounting policies and notes to accounts	7		

^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.

The notes referred to above form an integral part of the financial statements.

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

As per our report of even date

Amitabh Chaudhry
Director

Vibha Padalkar
Director

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No.104767W

Sumit Shukla
Chief Executive Officer

Nagesh Pai
Company Secretary

Atul Shah
Partner
Membership No.39569

Place : Mumbai

Date : April 16, 2015

For and on Behalf of NPS Trust

G.N. Bajpai
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER II

Schedules forming part of the financial statements

Schedule 1: Unit capital

(In ₹)

Particulars	As at March 31, 2015		As at March 31, 2014 ^	
	Units	Amount	Units	Amount
Initial capital				
Unit capital				
Opening balance	30,730	307,299	-	-
Additions during the period	220,664	2,206,638	30,779	307,785
Deduction during the period	(17,465)	(174,647)	(49)	(486)
Closing balance	233,929	2,339,290	30,730	307,299

Schedule 2: Reserves and surplus

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014 ^
	Amount	Amount
Unit premium reserve		
Opening balance	13,080	-
Additions during the period	435,859	13,105
Deduction during the period	(38,230)	(25)
Closing balance	410,709	13,080
Unrealised Appreciation Reserve		
Opening balance	1,220.00	-
Change in net unrealised appreciation in value of investments	103,507.00	1,220
Closing balance	104,727.00	1,220
Surplus/(deficit) in Revenue account		
Opening balance	4,037	-
Additions during the period	100,917	4,037
Deduction during the period	-	-
Closing balance	104,954	4,037
General reserve*	-	-
Appropriation account*	-	-
Total	620,390	18,337

* The balances have been nil throughout the period

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014 ^
	Amount	Amount
Current liabilities		
Sundry creditors	100	143
Unit redemption payable	877	-
Provisions	-	-
Total	977	143

^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER II

Schedules forming part of the financial statements

Schedule 4: Investments

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Central and state government securities (including treasury bills)	2,866,344	302,408
Others - Mutual funds	50,000	18,512
Total	2,916,344	320,920

Schedule 5: Deposits

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Deposits with scheduled banks	-	-
Others	-	-
Total	-	-

Schedule 6: Other current assets

(In ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Balances with banks in current / saving account	512	266
Outstanding and accrued income	43,801	4,593
Total	44,313	4,859

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER II

Schedule 7

Significant accounting policies & notes to accounts for the year ended March 31, 2015

1.1 Background

HDFC Pension Management Company Limited ('the Company') has been appointed as a Pension Fund Manager ('PFM') by the Pension Fund Regulatory and Development Authority ("PFRDA") for the management of Pension Schemes under the National Pension System ('NPS'). Accordingly, the Company has entered into an Investment Management Agreement ('IMA') with NPS Trust. The Pension Fund Regulatory and Development Authority ("PFRDA" / "Authority") guidelines require each PFM to manage subscribers' funds. As per unbundled architecture of the NPS, the main responsibility of PFM is to manage funds in accordance with the laid down guidelines and declare NAV. As per the architecture, the NSDL e-Governance Infrastructure Ltd., being the Central Recordkeeping Agency (CRA) provides consolidated data to PFM for allotment / redemption of units and Axis Bank, being the Trustee Bank, provides / receives funds on consolidated basis in respect of such allotment / redemption.

Central Record Keeping Agency (CRA): National Securities Depository Limited (NSDL) and PFRDA have set up Central Recordkeeping Agency (CRA) for the NPS

Some of the key responsibilities of the CRA include the following:

- Record keeping, Administration and Customer service function for NPS subscriber,
- Providing Unique Permanent Retirement Account Number (PRAN) to each subscriber,
- Maintaining database of all PRANs issued and recording transactions relating to each subscribers PRAN,
- PRAN Transaction Statement,
- An operational interface between PFRDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trust Bank etc.

CRA is responsible to resolve all queries pertaining to investors. CRA informs about the fund flow to Pension Fund Managers (PFM) and also instruct AXIS Bank to credit PFM's pool account maintained with them.

NPS trust has designated Stock Holding Corporation of India Ltd. (SHCIL) as the custodian, who is responsible for safe custody of securities and settlements of trades.

The fees payable to CRA, in terms of IMA, is charged to the investor by redeeming the equivalent number of units on receipt of intimation from CRA. As stated above, the amount of funds received from the subscribers is intimated by the Trustee Bank on consolidated basis on T+2 basis. PFM records the same on receipt basis. Accordingly, funds with Trustee Bank at the yearend do not get reflected in the financial statements.

1.2 Basis of preparation

The financial statements have been prepared to comply with the Pension Fund Regulatory and Development Authority Act, 2013, PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012, Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012 and generally accepted accounting principles. These financial statements have been prepared on an accrual basis, except as otherwise stated.

The financials have been prepared for SCHEME G TIER II being managed by the Company.

The Company manages six separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C and G based on the asset class prescribed under the NPS as follows:

Scheme E - Equity market instruments

Scheme C - Credit risk bearing fixed income instruments

Scheme G - Government securities

1.3 Investments

Transactions for purchase and sale of securities are accounted on trade date.

The holding cost of investments is determined by the weighted average cost method and the cost does not include brokerage and other transaction charges.

The cost of investments acquired or purchased includes applicable taxes and stamp charges but exclude brokerage and other transactional charges.

Investments are reconciled with the custodian records on daily basis.

Valuation of Investments

The scheme marks all investments to market and carries investments in the Balance Sheet at the market value as on Balance Sheet date / date of determination / date of valuation.

The change in unrealised appreciation/depreciation in the value of investments is determined separately for each assets category at the year-end and is recognised in the Revenue Account. The change in net unrealised appreciation, if any, is transferred to /from "Unrealised Appreciation Reserve" shown as part of Reserves and Surplus.

As per directive received from NPS Trust, the valuation of investments is carried out by Stock Holding Corporation of India Limited (SHCIL) effective April 1, 2011. The Investment valuation methodology adopted by SHCIL is as follows:

The following valuation norms are as prescribed by PFRDA (Preparation of Financial Statements and Auditor's Report of schemes under National Pension System) Guidelines - 2012.

Central government securities are valued at the aggregated prices received from independent valuation agencies CRISIL & ICRA on the particular valuation day.

Treasury bills are valued at amortised cost. If they are traded, then they are valued at the last traded price on National Stock Exchange (NSE).

Mutual fund units are valued based on the net asset value of the preceding day of the valuation date.

1.4 Income Recognition

Interest income on all interest bearing investment is recognised on daily accrual basis; when investments are purchased, interest paid for the period from the last interest due date upto the date of purchase is debited to Interest Recoverable Account and not included in cost of purchase. Similarly interest received at the time of sale for the period from the last interest due date upto the date of sale credited to Interest Recoverable Account and not included in sale value.

Accretion of discount relating to Treasury bills is recognised over the holding / maturity period on a straight-line basis.

Profit or loss on sale of Government securities is the difference between the sale consideration net of expenses and the weighted average amortised cost as on the date of sale.

Profit or loss on sale of mutual fund units is the difference between the sale consideration net of expenses and the weighted average book cost.

1.5 Non-Performing Assets

An investment is regarded as non-performing, if interest/principal or both amount has not been received or has remained outstanding for 90 days from the day such income/instalment has fallen due.

Where income receivable on investments has accrued but has not been received for a period of 90 days beyond the due date, provision is made by debiting to the Revenue Account for the income so accrued and no further accrual of income shall be made in respect of such investments.

Income on non-performing assets (NPA) are recognised on receipt and other incomes of miscellaneous nature are accounted for when there is certainty of collection.

1.6 Units reconciliation

The subscribers' units as per Investment management system are reconciled with Central Recordkeeping Agency (CRA) records on daily basis.

1.7 Investment management fees

Investment management fees are recognised on daily accrual basis on closing Asset Under Management (AUM) in accordance with IMA. The Investment management fee is inclusive of brokerage but excludes custodian charges and applicable taxes, if any.

The Company has started charging investment management fee of 0.01% per annum (inclusive of brokerage but excluding custodian charges and applicable taxes), with effect from August 01, 2014, in terms of the Pension Fund Regulatory and Development Authority's circular no. PFRDA/6/PFM/9/2 dated July 31, 2014.

The investment management fees charged until July 31, 2014 was 0.25% per annum (inclusive of brokerage but excluding custodian charges and applicable taxes), in terms of the Pension Fund Regulatory and Development Authority's circular no. PFRDA/CIR/1/PFM/1.

1.8 Other Expenses

Custody charges are recognised on daily accrual basis in accordance with IMA. Trustee bank charges, if any, are recognised when they are debited by the trustee bank on a quarterly basis.

1.9 Unit Premium Reserve

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the Unit Premium Reserve of the Scheme.

2. NAV

NAV disclosed in the Balance Sheet for the previous year is as of March 31, 2014 however, for the FY 2013-14, the last business day was March 28, 2014 and hence, the last declared NAV was as of March 28, 2014.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER II

Notes to accounts

2.1 Contingent liabilities

Particulars	(In ₹)	
	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Uncalled liability on partly paid shares	-	-
Other commitments	-	-

2.2 Investments

All investments are performing investments. All investments of the scheme are in the name of the NPS Trust. All investments are traded investments.

2.3 Details of transactions with sponsor and its related parties

Nature of relationship	Name of the related party
Pension fund manager	HDFC Pension Management Company Limited
Sponsor company	HDFC Standard Life Insurance Company Limited
Associates and group companies	
Holding Company	HDFC Limited
Mr. Amitabh Chaudhry	Key Management Personnel
Ms. Vibha Padalkar	Key Management Personnel
Mr. Sumit Shukla	Key Management Personnel

The following represents significant transactions between the Company and its related parties for the year ended March 31, 2015

Nature of Transaction	(In ₹)	
	For the year ended March 31, 2015	For the period ended March 31, 2014 ^
	Amount	Amount
Investment management fees	607	124

Balances with HDFC Pension Management Company Limited are as follows:

Nature of Transaction	(In ₹)	
	As at March 31, 2015	As at March 31, 2014
	Amount	Amount
Investment management fees payable	49	124

^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.

Aggregate investments made in the Associates and group companies as at March 31, 2015 are as follows:

Name of the Company	Asset type	As at March 31, 2015		As at March 31, 2014	
		Cost	Market Value	Cost	Market Value
		-	-	-	-

Investment with other Group Companies

Nature of relationship	Name of the related party
Associates of Holding Company	HDFC Bank Limited

Aggregate investments made in the other group companies as at March 31, 2015 are as follows:

Name of the Company	Asset type	As at March 31, 2015		As at March 31, 2014	
		Cost	Market Value	Cost	Market Value
		-	-	-	-

2.4 Provision

There are no provisions for doubtful deposits, debts and outstanding and accrued income.

2.5 Aggregate value of purchase and sale with percentage to average assets

Aggregate value of purchase and sale with percentage to average assets as at March 31, 2015 is as follows :

Particular	(In ₹)	
	For the year ended March 31, 2015	For the period ended March 31, 2014
Average Net Asset Value	1,219,242	74,424
Purchase of Investment	8,353,755	1,328,040
% to average Net Assets Value	685.00%	1784.44%
Sale of Investment	5,815,551	1,002,149
% to average Net Assets Value	477.00%	1346.55%

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER II

Notes to accounts

Aggregate value of purchase and sale (excluding liquid mutual fund)* with percentage to average assets as at March 31, 2015 is as follows :

Particular	(In ₹)	
	For the year ended March 31, 2015	For the period ended March 31, 2014
Average Net Asset Value	1,219,242	74,424
Purchase of Investment	2,630,054	307,890
% to average Net Assets Value	216.00%	413.70%
Sale of Investment	121,206	-
% to average Net Assets Value	10.00%	-

*Liquid mutual fund investments are held for day to day cash management, hence excluded

2.6 Investments falling under each major industry group

The total value of investments falling under each major industry group (which constitutes not less than 5% of the total investments in the major classification of the financials) are disclosed as under:

Industry Classification	As at March 31, 2015		As at March 31, 2014	
	Market value	% of Industry Classification	Market value	% of Industry Classification
Central Government Securities	2,866,344	96.85%	302,408	92.87%
Mutual Funds	50,000	1.69%	18,512	5.68%
Net Current Assets	43,336	1.46%	4,716	1.45%
Net Asset Value	2,959,680	100.00%	325,636	100.00%

Note :

- 1) Industry classification has been taken at sub class level of National Industrial Classification (NIC) 2008.
- 2) Previous year's figures are regrouped basis the current year's industry exposure

2.7 Prior Year Comparatives :

The Figures of the previous period have been regrouped / rearranged, wherever applicable, to confirm current year's presentation.

2.8 Note on status of litigation matters with PFRDA

In January 2014, a Request for Proposal ('RFP') was floated by the PFRDA seeking fresh bids for selection of pension fund managers afresh to manage the pension funds. In response to the RFP, HDFC Life ('the Sponsor') submitted its technical and commercial bid to be selected as a Sponsor. The technical bid made under RFP was opened in April 2014 and the bid submitted by the Sponsor was not accepted by the PFRDA on technical grounds of not having profitability for a period of 3 years at the time of submission of the bid. The Sponsor along with the Company, therefore, filed a Writ Petition before the Hon'ble High Court of Delhi, challenging the said rejection. The Hon'ble High Court of Delhi by its Order dated May 15, 2014 quashed and set aside the PFRDA's rejection of the Sponsor's bid and directed the PFRDA to evaluate the bid in accordance with the steps set out in the RFP. Pursuant thereto, while the PFRDA cleared the Sponsor's technical and commercial bid and the Sponsor even agreed to match the lowest commercial bid, the PFRDA declined to grant the Sponsor a Letter of Appointment.

The Sponsor along with the Company, therefore, filed a Writ Petition before the Hon'ble High Court of Delhi, which, vide its Order dated December 18, 2014 set aside the rejection of the Sponsor's bid and directed the PFRDA to grant HDFC Life a Letter of Appointment to act as a Sponsor. Subsequently, the PFRDA has filed a Special Leave Petition before the Hon'ble Supreme Court of India challenging the above said Order dated December 18, 2014. The Hon'ble Supreme Court has, by its Order dated March 9, 2015, refused to grant the PFRDA any ad-interim relief and has also directed the Sponsor to file its counter affidavit to the Petition. The matter is presently pending hearing. On March 27, 2015, complying with the High Court order, the PFRDA has issued a Letter of Appointment in favour of the Sponsor, stating inter alia that such appointment is subject to the outcome of the above proceedings filed before the Hon'ble Supreme Court. Further, as per the opinion obtained by the Company in this regard from a legal expert, the Company stands a fairly good chance of succeeding in the matter.

It may be noted that this would not have any impact on the subscriber as the assets and funds of the subscribers of National Pension System are held by NPS Trust, while HDFC Pension acts as a Fund Manager only.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER II

2.9 PORTFOLIO STATEMENT AS ON MARCH 31, 2015

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Central Government Securities	9.23% GOI MAT 23-Dec-2043	4,900	565,214	19.10%
	8.60% GOI MAT 2JUN2028	4,200	449,222	15.18%
	9.20% GOI Mat 30-Sep-2030	4,000	447,280	15.11%
	8.28% GOI Mat 21-Sep-2027	2,000	207,520	7.01%
	8.30% GOI MAT 02-July-2040	1,900	199,576	6.74%
	8.32% GOI Mat 02-Aug-2032	1,900	198,835	6.72%
	8.24% GOI MAT 15 Feb 2027	1,600	165,136	5.58%
	8.30% GOI Mat 31-Dec-2042	1,500	157,665	5.33%
	8.28% GOI Mat 15-Feb-2032	1,100	114,840	3.88%
	8.26% GOI Mat 02-Aug-2027	1,100	113,575	3.84%
	8.12% GOI Mat 10-Dec-2020	1,100	111,540	3.77%
	8.83% GOI MAT 25 Nov 2023	700	74,417	2.51%
	8.20% GOI Mat 24-Sep-2025	600	61,524	2.08%
Central Government Securities Total		26,600	2,866,344	96.85%
Mutual Fund Units	Birla Sun Life Cash Plus - Growth - Direct Plan	223	50,000	1.69%
Mutual Fund Units Total		223	50,000	1.69%
Net Current Assets		-	43,336	1.46%
Grand Total		26,823	2,959,680	100.00%

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER II

3 KEY STATISTICS FOR THE YEAR ENDED MARCH 31, 2015

Sr No	Particulars	For the year ended March 31, 2015	For the period ended March 31, 2014 ^
1	NAV per unit (₹) I		
	Open	10.5917	9.9999
	High	12.6719	10.6369
	Low	10.4217	9.9981
	End @	12.6520	10.5917
2	Closing Assets Under Management (₹ in Lakhs)		
	End	29.60	3.26
	Average daily net assets (AAuM) II	12.19	0.74
3	Gross income as % of AAuM III	16.83%	7.26%
4	Expense ratio		
a	Total expense as % of AAuM (scheme wise) IV	0.06%	0.19%
b	Management fee as % of AAuM (scheme wise) V	0.05%	0.28%
5	Net income as % of AAuM VI	16.77%	7.06%
6	Portfolio turnover ratio VII	9.94%	0.00%
7	Total dividend per unit distributed during the year	N.A.	N.A.
8	Returns: (%)		
a	Last one year	19.45%	N.A.
	Benchmark	20.08%	N.A.
b	Since inception	26.52%	5.92%
	Benchmark	22.23%	1.79%
c	Compound annualised yield (%) VIII		
	Last 1 year	19.45%	N.A.
	Last 3 years	N.A.	N.A.
	Last 5 years	N.A.	N.A.
	Since launch of the scheme	15.19%	9.18%
	Launch Date	August 01, 2013	
I	NAV = (Market value of investment held by scheme + value of current assets - value of current liability and provisions, if any) / (no. of units at the valuation date (before creation/ redemption of units))		
II	AAuM = Average daily net assets		
III	Gross income = Income includes Interest, Dividend, Realised/Unrealised Gain		
IV	Total expenses = Expenses include management fees, custody fees, trustee bank charges but excludes Unrealised /Realised loss		
V	Management fee as % of AAuM is annualised		
VI	Net income = Total income less Total expenses and losses		
VII	Portfolio turnover = Lower of sales or purchase divided by the average AUM for the period. Investments in liquid mutual fund is excluded from the turnover as the same is primarily for liquidity management		
VIII	Compounded annualised yield is to be calculated based on following formula: = (1+ cumulative return)^n -1 (where n=365/no. of days)		
	@ The declared NAV of March 28, 2014 is considered for the previous year, as NAV for March 31, 2014 was not declared on account of holiday.		
	^ The Scheme has commenced its operations from August 1, 2013 hence the previous year numbers are for eight months.		