



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 2015-16

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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, 2016.

During the year ending March 31, 2016, 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, 2016 of all the schemes collectively was ₹ 37,622.70 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 398 Branches in more than 1000 (including medical panels) cities at March 31, 2016. At March 31, 2016 the Sponsor has 15,254 employees and 117,000 advisors and is thus well equipped to cater to the needs of customers.

As at March 31, 2016, 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.

The wholly-owned subsidiary of HDFC Life, HDFC Pension Management Company Limited, is engaged in the business of management of private sector pension funds under the National Pension System, to which HDFC Life acts as the Sponsor. The Company has been in the business from August 2013. However, In January 2014, a fresh Request for Proposal (‘RFP’) was floated by the PFRDA seeking bids from Sponsors for selection of pension fund managers afresh to manage the pension funds. In response to the RFP, HDFC Life (‘the Sponsor’) had submitted its technical and commercial bid. 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. The Sponsor, 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. 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 therefore filed another Writ Petition before the Hon’ble High Court of Delhi against the rejection. Vide its Order dated December 18, 2014 the Hon’ble High Court of Delhi quashed and set aside the PFRDA’s 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, by its Order dated March 9, 2015, refused to grant the PFRDA any ad-interim relief and the matter is presently pending hearing. On March 27, 2015, complying with the High Court order, the PFRDA had 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. The Company has obtained an opinion from its lawyers, as per which the Company stands a fairly good chance of succeeding in the matter.

It may be noted that the PFRDA (Pension Fund) Regulations, 2015 were notified in May 2015, pursuant to which re-registration of all pension funds was sought by the PFRDA. HDFC Pension has submitted its application for the same, and a revert from the PFRDA is awaited.

However, 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 the selected stocks that constitute the benchmark index with a sector neutral stance in order to achieve returns better than the benchmark index.

Brief details of investment in various Schemes are as under:

Scheme E: The funds under Scheme E are managed passively in top stocks of the benchmark index. Our strategy is to construct a model portfolio which is sector neutral vis a vis benchmark index Nifty 100 & which comprises of top stocks of the Index with an objective to achieve better returns than the benchmark index

Scheme C: The funds under Scheme C are invested in 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

Fastest growing young economy, in a demand deficit world

We remain positive on the Indian economy and believe that it is on course to a sustainable, non-inflationary multi-year growth uptick. Recent forecasts of IMF, World Bank and UN attest to the widespread optimism about India being the fastest growth economy in the world and best EM play at a time when emerging markets have suffered a big image hit in a risk-averse world.

The same is being reflected in INR emerging as one of the best EM currency in 2015 and remaining relatively stable in the wake of sharp EM currency decline against a surging dollar. Moreover, while net FII inflows to India remained muted, given the volatility in global markets, owing to prospects of Fed rate hike, Chinese currency devaluation and commodity crash, the stable long term FDI inflows were close to record high attesting the faith of global investors on long-term India growth story.

In a deflationary and demand deficit world, India is a rare exception, which is not constrained by demand, possesses significant low-hanging fruits in terms of low per capita and is still far-off from middle income trap. We also note the large number of small and incremental reforms being done by the government, which by their nature will have a slow but lasting positive impact on the economy and raise the potential output creating backdrop for a multi-year growth uptick.

While progressive legislation like GST, Land Bill and Bankruptcy code have been mired in the legislative logjams, significant steps have been taken on non-legislative route to boosting long term growth potential. During the past two years, the focus of the government has been on boosting economy's supply potential and removing constraints to growth with key focus on the

flagship Make in India and its allied programs to boost manufacturing, innovation and entrepreneurship.

The key steps/ theme of the government has been FDI liberalization, boosting innovation, ease of doing business, tax reforms, crackdown on black money, thrust on financial inclusions, plugging in government leakages in general and subsidies in particular, banking reforms (including greater capitalization) and reducing corruption. While the above supply-side structural reforms needs to be accelerated, their impact on the ground is by nature gradual, and for some, may even be negative for near-term growth.

A key drag on the economy has been the weak state of rural economy, with two back-to back weak monsoons, muted growth in MSP and slowdown in construction activity, which is a major source of rural income through transfers. Moreover, while the attempts to plug leakages in subsidy delivery have long term benefits, in the near term, it impacts fund-flow to rural economy.

RBI has also remained focused on dis-inflating the economy and improving financial stability, sowing seeds for a long term sustainable growth, but with near-term costs. Key ingredients of RBI's path has been to give positive return to the savers (real interest rates remain at decadal high), forcing banks to solve their NPA problems, increasing competition in banking space and building a solid external balance sheet.

While there are questions on the appropriateness of decadal high interest rates given the stressed balance sheets, weak demand and widespread deflationary impulses, the economy shall nevertheless benefit from rise in financial savings and stable external account, which is sowing the seeds for a sustainable recovery.

We see economy entering into higher growth trajectory in 2016. Our optimism stems from lagged impact of earlier policy measure to de-clog investments, continuation of benign impact of weak commodity prices, stimulus provided by 7th pay commission and one rank one pay, lagged impact of earlier monetary easing and expectation of further easing, improvement in exports outlook, pick-up in private capital expenditure as balance sheet repair remain afoot, and expectation of a good monsoon due to incipient signs of a neutral ENSO or La Nina, which augurs well for the monsoon. We note that sharp decline in oil prices has created space for fiscal consolidation without leading to contraction and we do not rule out fiscal boost to growth, either through some recalibration of fiscal deficit targets or through asset sales.

Market Outlook

2016 can be the breakout year for the economy

We believe that 2016 can be the inflection point for the current economic cycle, and with some luck we can see a major growth upsurge. With macro-stability indicators seriously inflicted, the last three years have been one of restructuring and repair, and policymakers have done remarkably well in bringing the economy from the brink with significant improvement in external account, fiscal health, inflation, currency reserves, ease of doing business and overall policy-regulatory paradigm. With most macro-stability indicators on relative comfort zone, we expect the policy focus to move from consolidation to recovery mode and growth emerging as the focus of policy-making, especially given the dismal nominal GDP growth and rising disenchantment on the pace of recovery. We thus see more pro-growth fiscal and monetary policy regime through the year.

Our optimism stems from 1) the continued positive impact of weak commodity prices on the economy, 2) lagged impact of favourable policy steps, ease of doing business and aggressive plan capital expenditure of FY16 is likely to flow-in to the real economy with its high multiplier effect, 3) positive impact of 7th pay commission, low inflation and expectation of good monsoon in rekindling the suppressed consumption demand, 4) further reduction in market interest rates and 5) uptick in credit cycle. We do not expect the current deflationary trend in the economy to sustain and note that with macro-stability indicators in comfort zone the fiscal and monetary levers for stimulating growth and removing the deflationary impulses remain high.

The current recovery cycle has been gradual in the initial years due to stressed balance sheets of corporate and banks (largely due to aggressive investments in FY04-FY08 cycle), pro-cyclical contractionary fiscal policy, tight monetary policy and weak global growth. We believe that ingredients of a sustained recovery remain extant, and give confidence on the sustainability of the recent growth uptick: healthy macro-balance sheet, de-clogging of stuck capex projects, sharp uptick in government capex, improving ease of doing business, healthy and improving fiscal and external balance sheet, weak commodity prices, monetary easing cycle and cyclical revival after below potential growth for the last few years.

Moreover, we expect healthy capital inflows (especially long term FDI) which shall reduce the funding constraints to growth. India's key structural drivers of growth also remain extant viz: high savings rate (still one of the highest in the world), 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. Despite the improving growth data there still remains some skepticism among a section of investors about the strength and durability of the recovery and the impact of changed methodology of the 2011-12 based GDP series on the headline data. We would like to point out that besides the headline growth data released by CSO, other indicators are pointing to a genuine uptick on the ground viz: healthy and consistent

uptick in IIP data, healthy growth in MHCV sales, petroleum consumption, real M1 growth, healthy rise in indirect tax collection, strong rise in government's private capex and strong FDI inflows.

Recovery to broaden and gain steam

The initial phase of economic recovery has been largely driven by government spending, particularly public capex, which itself is a small proportion of the economy, even as external demand and private capex remained anemic, and rural consumption remained subdued. Given the constraint of Government spending has been large in 2016 we see improvement in both private capex and net external demand. The revival in private capex is predicated on uptick in consumption, easing of deflationary condition and repair of balance sheet. While our confidence on revival of external demand is not very strong, we can say with some confidence that at least the level of drag in 2016 will not be as strong as 2015. However, we note that structural constraints to exports will take time to ease and global demand is expected to remain muted, and a competitive exchange rate assumes importance.

Given that we are witnessing an investment driven recovery under tight monetary and fiscal condition, two years of poor monsoon, turbulent global backdrop and balance sheet repair scenario, we see only a gradual recovery in 1HCY16. We see economy gaining steam towards the second half with the expectation of good monsoon and 7th pay commission award supplementing the investment lead growth.

Public capex to continue aiding growth

Given the weakness in private capex and debt deflation the criticality of government capex for growth revival cannot be overestimated. 2015 saw a healthy growth in budgeted capex and actual activity/spending on the ground. Besides the positive sound-bytes and uptick in budgetary allocation towards capital expenditure, data shows that government has actually started spending money on the ground, which we believe will go a long way in reviving the capex cycle. With weak banks' and private balance sheets, and PPP model almost broken, government capital expenditure has been critical for reviving the economy.

There has been significant improvement in quality of government expenditure with the rising share of capital expenditure, and government is working on the strategy of accelerating public investment at all-India level. Aggregate capital expenditure has rise by 0.5% of GDP with a corresponding reduction in revenue expenditure by 0.3% of GDP. Real growth in capital expenditure rose by 25% y-y and the increase extends not only to central government, but even the states' capital expenditure is witnessing healthy growth, with central government contributing 60% of the increase and state governments 40%. Moreover even in social sector, growth in expenditure has been high in crucially important agriculture and rural development. We expect the crowding-in of public capex to continue to remain strong and funded by combination of oil price windfall, and higher divestment and/or some relaxation on fiscal targets.

Consumption and rural story to fire growth

We see healthy growth in private consumption which is not only the largest segment of the economy but also impacts private capex with a lag. Our optimism on higher consumption is owing to lagged positive impact of easier monetary policy, impact of lower oil prices through lower inflation, higher disposable income and higher government spending, 7th pay commission, and pick up in rural economy on expectation of good monsoon and indications of higher government focus on agricultural sector. We would like to note that the recent electoral reverses and rural distress is likely to usher in greater focus and funds transfer to rural India henceforth.

Commodity price windfall to continue aiding economy

Lower commodity price is likely going to aid recovery process through 2016. Weak commodity prices, especially crude aids economy in various ways: it acts like a tax hike for the government and a stimulus for the wider economy which is bigger than what was given by the government after global financial crisis. An average crude price of US\$50/bbl shall act as a US\$50 billion stimulus (~2.5% of the GDP) for the economy (compared to 2014 levels). The bounty shall continue to be apportioned between government, consumers and oil marketing companies, and helping economy through improved macro-stability indicators (inflation, fiscal deficit, CAD), higher investment on infrastructure, greater disposal income and the lower inflation creating space for monetary easing.

Global deflation creates policy space for stronger domestic demand boost

We expect deflationary forces to strengthen in the global economy which will have spill-over impact on India, largely, though not entirely through weak commodity prices. Given the strong global deflation, we believe there is bigger space for domestic demand boost by the central bank as well as aggressive fiscal spending by the government. The other alternative for the government would be aggressive stake sales, which shall however, be contingent on good market conditions.

Our view on persistence and increase in deflationary forces around the world is due to 1) internal rebalancing and growth slide in China. In our view, the process of internal rebalancing and slowdown in China is likely to gather pace and will be a long drawn affair. The impact will be felt more in countries with high commodity exports, but given the strong inter-linkages and second and third order effects, will also result in general weakening of global growth, 2) strengthening US dollar at a time when USD denominated liabilities are at a very high level (USD 9.2 trillion), 3) expectation of rate hike from US Fed and strong dollar and 4) continuous weak growth in Europe. Other deflationary risk is potential competitive devaluation, and second and third order effect of sharp slide in commodity prices in global financial markets.

Fiscal policy likely to be more aggressive

While we take heart from the qualitative improvement in government spending, we note that the contractionary fiscal policy has remained a drag on growth. The extent of fiscal consolidation from FY12 to FY15 amounted to a steep 1.8% of the GDP with a fiscal drag of 0.6% of GDP in FY15 itself. While this stabilized the economy and improved the macro-stability indicators, it inevitably exacerbated the growth slowdown especially at a time when private sector was on a balance sheet repair mode, interest rates were high and external demand was weak.

We therefore believe that given the weak external demand, deflationary conditions faced by corporate, low inflation, space available due to low crude prices and balance sheet recession, there is a growing realization in the government to be more aggressive in boosting growth. We note that at a time when nominal GDP is decelerating, the fiscal multipliers tend to be large and a tight fiscal policy and fiscal roadmap take away a key source of demand stabilization. Hence, we would not be surprised if the government delays the fiscal consolidation roadmap by a year and focus instead on boosting public investments. We do not rule out some easing of fiscal deficit targets in the budget and/or more focus on asset sales to kick-start growth.

Monetary easing

Given the onerous inflation targets and the CPI targeting policy framework, RBI has been quite conservative in cutting rates despite a sharp decline in inflation, especially the WPI inflation, with negative reading in the last few months. However, with global deflation getting more entrenched and external demand remaining weak, we see greater space for RBI to boost domestic demand. We thus expect more monetary easing from RBI and gradual impact of previous easing to flow in the economy. We note that despite the 125bp rate cuts in the current easing cycle, banks are yet to pass the full rate cut owing to stressed balance sheet and low credit demand. The high real interest rate has been an important reason for tepid credit off-take (besides the balance sheet stress and lack of capital), and growth slowdown.

Inflationary pressures to remain contained

We expect inflationary pressure to remain contained. Our confidence stems from 1) better management of food economy and expectation of good monsoon in 2016. We note that despite second year of bad monsoon, food inflation has remained benign due both to better logistic management, lower MSP price hikes and weak global prices of edible oils and sugar, 2) we don't think growth uptick will necessarily put upside pressure on inflation given that the growth uptick is happening through supply-augmenting sectors like mining, manufacturing and construction, and the fiscal consolidation road-map is both qualitatively and quantitatively sound, 3) persistence of disinflationary impulses in the economy which has the potential to further entrench disinflationary trend.

We believe that India will maintain and further strengthen its position of best EM play due to improving economic growth, benign macro-stability indicators, healthy demographics, strong and improving human capital base, stable polity, neutral to positive impact of Chinese slowdown, large size of economy and favourable impact of commodity prices crash.

Outlook

A. Equity Outlook

CY2015 was a volatile year for markets as global growth slowed down in 2015. Emerging markets were down by ~17% (in USD terms) in CY15 due to global weakness. While China slowdown was definitely, one of the reasons for EM sell off, Fed rate hike expectations only accentuated the problem. The Fed lift off (when other EM's are trying to ease monetary policy) resulted in large capital flows across emerging markets including China. This problem caught investor eyes post China currency devaluation in August. However, FED decision to delay its rate hike in September 2015 did provide calm the markets, but not for long as it eventually did increase rates in Dec 2015. This resulted in sharp EM sell off (14% in USD terms) in the first twenty days of 2016 itself. However, poor US economic data and dovish seemed to have restored back calm to emerging markets and have completely recovered their losses in January.

On the domestic front , earnings remained subpar. The earnings expectations were belied during the year due to global issues (a slump in commodity prices, currency volatility) and a sub-optimal GDP growth and weak monsoon rains on the domestic front. As a result, the consensus earnings estimate for the Nifty has been downgraded by 15%-20%. Significant downgrades were witnessed in globally linked sectors like metals, industrials, technology. On the domestic front, banking sector (especially the public sector banks (PSBs) saw a sharp rise in NPAs which led to a downgrades.

Domestically, the union budget seems to have found resonance with investors as finance Minister stuck to the fiscal deficit target of 3.5%. While higher allocation towards capital expenditure was missing, a strong push to rural sector (allocation to Agri and Rural Development Ministry +30%) can help revive the consumption dynamics of rural India, with limited risk of higher inflation as capacity utilization remains low. The combination of a normal monsoon this year coupled with the government's strong focus on rural India should lead to higher aggregate demand in 2H, helping both consumption growth and corporate earnings.

B. Fixed Income Outlook

Worries over government's commitment to adhere to its FY2017 fiscal deficit target, greater than expected SDL issuances, tightening domestic liquidity and muted FPI inflows in the

backdrop of global financial market turmoil had led to sharp rise in yields leading up to the Feb 29 budget. Since then however market sentiment has markedly improved as many of the market concerns have been addressed: not only has the government decided to honour its commitment to its fiscal consolidation path, in doing so it has lowered its FY2017 net borrowing programme below expectations to INR 4.26tn from INR 4.40tn in FY2016. Moreover, by implementing further fiscal consolidation, it has in our view, fulfilled a key requirement stated by the RBI and has provided scope for further monetary easing. Meanwhile RBI has become significantly more proactive in addressing the liquidity deficit and has actively infused long term liquidity through OMO operations, which have implicitly also served to address the demand deficit in long term bonds and thus have supported GSec prices.

Since Oct 2015, there has been a significant uptick in bank credit growth, while deposit growth has not kept pace. The growing divergence can be attributed to recovering economic growth leading to higher bank credit demand, even as competition from alternative investment sources – such as small savings schemes – has meant that deposit mobilisation has not been able to keep pace. This increase in C/D ratio has had a significant impact on the banking system liquidity.

In pursuit of its fiscal consolidation objective, the union government's spending has been significantly restrained, with the result that significant government cash balances have build up with the RBI over the past few months. Though, exact quantum of government's cash balance with RBI is not known, a useful proxy is to look at the cash balance available for auction by the RBI; this balance has build up significantly over the past 6 months.

The key factors for bond market going forward would SDL borrowing, UDAY bond issuances and liquidity management by RBI. Lower fiscal deficit number of 3.5% and lower gross borrowing of INR 6 trillion have provided much needed breather to the market. However, there is no clarity on state finances so higher than expected SDL borrowings may still happen. On liquidity front, RBI has been relying on term repos and has used OMOs only occasionally. Going forward, muted FPI flows might push RBI to step up OMO purchases. Higher OMO purchase would ease supply pressure and push yield lower. CPI Inflation has not posed any threat so far and is likely to ease going forward. We continue to believe that CPI inflation can sustain at round 5%-5.5% with higher growth thus giving room to RBI to ease policy rates in future.

4. SCHEME PERFORMANCE AND OPERATIONS

SCHEME E TIER I - Equity market instruments

Investment Objective

Investment objective is to optimise returns while investing in the Nifty 100 Index over a rolling annual basis.

Scheme Performance against Benchmark

The performance of the scheme is measured by reference to the performance of the Nifty 100 Index.

The performance of Tier I Scheme E at March 31, 2016 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) #
1 Year	-7.47%	-8.07%
2 Years	9.10%	9.11%
Since inception @	14.30%	13.42%

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

Benchmark index: Nifty 100

#Post changes in the PFRDA investment regulation vide circular No PFRDA/2015/PFM/08 in September 2015; company has changed the fund management strategy of the equity schemes. Due to this change, the benchmark of the scheme has been changed from Nifty 50 to Nifty 100 effective from October 01, 2015. The benchmark return mentioned above represents the return of existing scheme benchmark, which is Nifty 100.

@ 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 at March 31, 2016 stood at ₹ 14,779.84 lakhs

At March 31, 2016, 96.45% of the net assets were invested in Equity Shares and 3.55% in money market instruments and cash/cash equivalent & net current assets.

SCHEME E TIER II - Equity market instruments

Investment Objective

The investment objective is to optimise returns while investing in the Nifty 100 Index over a rolling annual basis.

Scheme Performance against Benchmark

The performance of the scheme will be measured by reference to the total performance of the Nifty 100 Index.

The performance of Tier II Scheme E at March 31, 2016 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) # \$
1 Year	-7.17%	-8.07%
2 Years	6.76%	9.11%
Since inception @	8.08%	13.42%

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

Benchmark index: Nifty 100 Index

Post changes in the PFRDA investment regulation vide circular No PFRDA/2015/PFM/08 in September 2015; company has changed the fund management strategy of the equity schemes. Due to this change, the benchmark of the scheme has been changed from Nifty 50 to Nifty 100 effective from October 01, 2015. The benchmark return mentioned above represents the return of existing scheme benchmark, which is Nifty 100.

@ Date of Inception: August 01, 2013

\$ Small size of the fund has affected the fund performance. The investments into the mandated assets of the fund started in March'2014. From the date of inception of the fund till March'2014 the inflows were invested in liquid schemes of mutual funds due to small size of the fund. Further, as per fund objective of Tier II Scheme E, the fund only invests in equity securities through Equity Index basket. There is a minimum threshold amount for investment in Equity Index basket and till the time investable amount reaches this threshold, it is invested temporarily in liquid and money market schemes of mutual funds. Hence, Fund performance of the scheme is not comparable with the benchmark.

AUM and Asset Mix

The net assets of the Scheme at March 31, 2016 stood at ₹ 320.87 lakhs.

At March 31, 2016, 98.47% of the net assets were invested in Equity Shares and 1.53% in money market instruments and cash/cash equivalent & net current assets.

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 Tier I Scheme C at March 31, 2016 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) #
1 Year	9.20%	8.24%
2 Years	12.16%	11.41%
Since inception @	11.80%	10.28%

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

Benchmark index: CRISIL Composite Bond Fund 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 at March 31, 2016 stood at ₹ 10,125.13 lakhs.

At March 31, 2016, 95.77% of the net assets were invested in bonds and non-convertible debentures and 4.23% 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 Tier II Scheme C at March 31, 2016 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) # \$
1 Year	8.94%	8.24%
2 Years	9.22%	11.41%
Since inception @	9.25%	10.28%

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

Benchmark index: CRISIL Composite Bond Fund Index

@ Date of Inception: August 01, 2013

§ Small size of the fund has affected the fund performance. The investments into the mandated assets of the fund started in March'2015. From the date of inception of the fund till March'2015 the inflows were invested in liquid schemes of mutual funds due to small size of the fund. As per fund objective of Tier II Scheme C, the fund only invests in Corporate Bonds. There is a minimum threshold for investment in Corporate Bonds and till the time investable amount reaches this threshold, it is invested temporarily in liquid and money market schemes of mutual funds. Hence, Fund performance of the scheme is not comparable with the benchmark.

AUM and Asset Mix

The net assets of the Scheme at March 31, 2016 stood at ₹ 319.80 lakhs.

At March 31, 2016, 93.77% of the net assets were invested in bonds and non-convertible debentures and 6.23% in money market instruments and cash/cash equivalent & net current assets.

SCHEME G TIER I - 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 Tier I Scheme G at March 31, 2016 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) #
1 Year	6.77%	7.26%
2 Years	13.14%	13.49%
Since inception @	11.04%	10.69%

[^] 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 at March 31, 2016 stood at ₹ 11,841.57 lakhs.

At March 31, 2016, 97.12% of the net assets were invested in government securities and 2.88% 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 Tier II Scheme G at March 31, 2016 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) #
1 Year	6.83%	7.26%
2 Years	12.96%	13.49%
Since inception @	11.96%	10.69%

[^] 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 at March 31, 2016 stood at ₹ 235.50 lakhs.

At March 31, 2016, 96.53% of the net assets were invested in government securities and 3.47% in money market instruments and cash/cash equivalent & net current assets.

SCHEME NPS LITE

During the period ended March 31, 2016, 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 Nifty 100 Index over a rolling annual basis.
2	SCHEME E TIER II	The investment objective is to optimise returns while investing in the Nifty 100 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. INTERNAL AUDITOR'S CERTIFICATE ON PROXY VOTING REPORT

To
The Board of Directors
HDFC Pension Management Company Limited
14th floor, Lodha Excelus,
Apollo Mills Compound,
N.M. Joshi Marg,
Mahalaxmi, Mumbai - 400 011

Dear Sir,

1. We have been requested by **HDFC Pension Management Company Limited ('Company')** to provide a Certification as required under Para 2 of Circular No PFRDA/2015/15/NPST/1 dated August 17, 2015 on Voting Policy on Assets held by NPS Trust.
2. The Company's management is responsible to ensure that the voting rights are exercised in accordance with the procedure prescribed in the aforesaid Circular. The Company's management is also responsible to ensure that the periodic reports as specified in the aforesaid Circular are duly placed before its Board of Directors and submitted to the NPS Trust. Our responsibility is to certify whether the Company has complied with the procedure for exercising the voting rights and submission of periodic reports as prescribed in the aforesaid Circular.
3. In this regards we have examined the books and records of the company. Based on our review, please find enclosed the required certificate.

For Anil Ashok & Associates
Chartered Accountants
Firm Regn No.005177N

R.Krishnan
Partner
Membership No. 040300
Mumbai | April 11, 2016

To
The Board of Directors
HDFC Pension Management Company Limited
14th floor, Lodha Excelus,
Apollo Mills Compound,
N.M. Joshi Marg,
Mahalaxmi, Mumbai - 400 011

We have reviewed the report on proxy voting for the quarter ending December 31, 2015 and the e-voting disclosure uploaded on the company's website with the memorandum of discussions of the meetings of the proxy voting committee, approval mails of the CIO & CEO of the company and the collective decision of the other pension funds.

We have also reviewed the draft report for the quarter ending 31st March 2016 on proxy voting with the memorandum of discussions of the meetings of the proxy voting committee, approval mails of the CIO & CEO of the company and the collective decision of the other pension funds.

Based on the documents reviewed by us as stated above, we would like to highlight that the company has not exercised its voting rights prior to 17th December 2015.

We hereby certify that the Company has complied with the procedure for exercise of voting rights and submission of periodic reports effective quarter ended December 2015, as required under the Circular, to the NPS Trust for the Financial Year 2015-16 from 17th December 2015.

This Certificate has been issued as per the requirement under Para 2 of the Circular No PFRDA/2015/15/NPST/1 dated August 17, 2015. Our review is to the extent of documents/information submitted by the company in this regard.

For Anil Ashok & Associates
Chartered Accountants
Firm Regn. No.005177N

R.Krishnan
Partner
Membership No. 040300
Mumbai | April 11, 2016

8. 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, 2016

Contents

Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

T R Chadha & Co LLP

Chartered Accountants

502, Marathon Icon,
Off. Ganpatrao Kadam Marg
Opp. Peninsula Corporate Park
Lower Parel, Mumbai – 400 013
Tel.: 022-49669000
Fax.: 022-49669023
Email:mumbai@trchadha.com



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, 2016 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.

T R Chadha & Co., a partnership firm converted into T R Chadha & Co LLP
(A limited liability partnership with LLP Identification No. AAF-3926) with effect from 28th December, 2015)

Corporate Office : B-30, Connaught Place, Kuthiala Building, New Delhi – 110001
Phone : 43259900, Fax : 43259930, E-mail : delhi@trchadha.com
Regd. Office : Suite No. 11A, 2nd Floor, Gobind Mansion, H-Block, Connaught Circus, New Delhi – 110001
Phone : 011 41513059 / 41513169

Branches at: ❖ AHMEDABAD ❖ BENGALURU ❖ CHENNAI ❖ GURGAON ❖ HYDERABAD ❖ PUNE

T R Chadha & Co LLP

Chartered Accountants

502, Marathon Icon,
Off. Ganpatrao Kadam Marg
Opp. Peninsula Corporate Park
Lower Parel, Mumbai – 400 013
Tel.: 022-49669000
Fax.: 022-49669023
Email:mumbai@trchadha.com



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, 2016;
- 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.

T R Chadha & Co., a partnership firm converted into T R Chadha & Co LLP
(A limited liability partnership with LLP Identification No. AAF-3926) with effect from 28th December, 2015)

Corporate Office : B-30, Connaught Place, Kuthiala Building, New Delhi – 110001
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Chartered Accountants

502, Marathon Icon,
Off. Ganpatrao Kadam Marg
Opp. Peninsula Corporate Park
Lower Parel, Mumbai – 400 013
Tel.: 022-49669000
Fax.: 022-49669023
Email:mumbai@trchadha.com



-
- 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. The CRA charges have been charged based on communication received from CRA.

For T R Chadha & Co LLP
Chartered Accountants
Firm Registration No 006711N/N500028

Vikas Kumar
Partner
Membership No 75363
Place:
Date:

T R Chadha & Co., a partnership firm converted into T R Chadha & Co LLP
(A limited liability partnership with LLP Identification No. AAF-3926) with effect from 28th December, 2015)

Corporate Office : B-30, Connaught Place, Kuthiala Building, New Delhi – 110001
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Branches at: ❖ AHMEDABAD ❖ BENGALURU ❖ CHENNAI ❖ GURGAON ❖ HYDERABAD ❖ PUNE

NATIONAL PENSION SYSTEM TRUST

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

BALANCE SHEET AS AT MARCH 31, 2016

(In ₹)

Particulars	Schedule	As at March 31, 2016	As at March 31, 2015
		Amount	Amount
Liabilities			
Unit Capital	1	1,034,914,608	126,567,747
Reserves & Surplus	2	443,069,064	68,784,007
Current Liabilities and Provisions	3	40,476,324	19,572,264
Total		1,518,459,996	214,924,018
Assets			
Investments	4	1,478,079,267	207,799,625
Deposits	5	-	-
Other Current Assets	6	40,380,729	7,124,393
Total		1,518,459,996	214,924,018
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		1,477,983,672	195,351,754
(b) Number of units outstanding		103,491,461	12,656,775
(c) NAV per unit (a)/(b) (₹)		14.2812	15.4345
Significant accounting policies and notes to accounts	7		

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

This is the Balance Sheet referred to in our report of even date.

For T R Chadha & Co LLP (FRN 006711N/N500028)

Chartered Accountants

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

Vikas Kumar
Partner
Membership No.75363

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

Sumit Shukla
(Chief Executive Officer)

Fagun Pancholi
(Chief Financial Officer)

Nagesh Pai
(Company Secretary)

Place : Mumbai

Place : Mumbai

Date :

Date : April 12, 2016

For and on Behalf of NPS Trust

Shailesh V.Haribhakti
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NATIONAL PENSION SYSTEM TRUST

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

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2016

(In ₹)

Particulars	Schedule	For the year ended March 31, 2016	For the year ended March 31, 2015
		Amount	Amount
Income			
Dividend		7,712,659	940,920
Interest		944	245
Profit on sale/redemption of investments		2,123,102	2,116,918
Unrealised gain on appreciation in investments		-	10,069,580
Total Income (A)		9,836,705	13,127,663
Expenses & Losses			
Unrealised losses in value of investments		10,221,369	972
Loss on sale/redemption of investments		1,968,080	319,206
Management fees (including service tax)		58,343	39,179
NPS Trust fees		32,638	-
Custodian fees		42,643	6,916
CRA fees		4,129,274	360,323
Less : Amount recoverable on sale of units on account of CRA Charges		(4,129,274)	(360,323)
Total Expenses & Losses (B)		12,323,073	366,273
Surplus/(Deficit) for the year (A-B = C)		(2,486,368)	12,761,390
Balance at the beginning of the period		2,744,827	52,045
Less: Amount transferred to Unrealised appreciation account		10,221,369	(10,068,608)
Less: Amount transferred to General Reserve		-	-
Balance at the end of the period carried to Balance Sheet		10,479,828	2,744,827
Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis.		-0.46%	15.11%
Total expenditure expressed as a percentage of average net assets, calculated on a daily basis.		0.03%	0.05%
Significant accounting policies and notes to accounts	7		

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

This is the Revenue Account referred to in our report of even date.

For T R Chadha & Co LLP (FRN 006711N/N500028)

Chartered Accountants

Vikas Kumar
Partner
Membership No.75363

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

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

Sumit Shukla
(Chief Executive Officer)

Fagun Pancholi
(Chief Financial Officer)

Nagesh Pai
(Company Secretary)

Place : Mumbai

Date :

Place : Mumbai

Date : April 12, 2016

For and on Behalf of NPS Trust

Shailesh V.Haribhakti
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NATIONAL PENSION SYSTEM TRUST
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, 2016	As at March 31, 2015
	Amount	Amount
Initial capital		
Initial capital		
Outstanding at the beginning of the year	126,567,747	18,111,753
Add :Units issued during the year	918,463,236	112,058,604
Less: Units redeemed during the year	(10,116,375)	(3,602,610)
Outstanding at the end of the year	1,034,914,608	126,567,747
(Face Value of Rs.10/- each unit, fully paid up)		
Outstanding units at the beginning of the year	12,656,775	1,811,175
Add :Units issued during the year	91,846,324	11,205,860
Less: Units redeemed during the year	(1,011,638)	(360,261)
Outstanding Units at the end of the year	103,491,461	12,656,775

Schedule 2: Reserves and surplus

(In ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Unit premium reserve		
Opening balance	54,403,305	2,028,179
Add: Premium on Units issued	381,316,189	54,197,506
Less: Premium on Units redeemed	(4,544,764)	(1,822,380)
Closing balance	431,174,730	54,403,305
General Reserve		
Opening balance	-	-
Add: Transfer from Revenue Account	-	-
Closing balance	-	-
Unrealised Appreciation Reserve		
Opening balance	11,635,875	1,567,267
Change in net unrealised appreciation in value of investments	(10,221,369)	10,068,608
Closing balance	1,414,506	11,635,875
Surplus/(deficit) in Revenue account		
Opening balance	2,744,827	52,045
Add: Surplus during the year	7,735,001	2,692,782
Less: Deficit during the year	-	-
Closing balance	10,479,828	2,744,827
Total	443,069,064	68,784,007

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Current liabilities & Provisions		
Sundry creditors for expenses	82,773	6,836
Redemption Payable	182,888	183,932
TDS Payable	1,047	147
Contracts for purchase of investments	40,205,920	19,381,349
Provisions*	3,696	-
Total	40,476,324	19,572,264

* The Provision referred above is towards TDS payable on Custodian fees.

NATIONAL PENSION SYSTEM TRUST**NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I****Schedules forming part of the financial statements****Schedule 4: Investments (Long Term and Short Term)****(In ₹)**

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Equity shares	1,425,550,267	192,208,111
Debentures and Bonds Listed/Awaiting Listing	-	153,014
Others - Mutual funds	52,529,000	15,438,500
Total	1,478,079,267	207,799,625

Schedule 5: Deposits**(In ₹)**

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Deposits with scheduled banks	-	-
Total	-	-

Schedule 6: Other current assets**(In ₹)**

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Balances with banks in current account	520	556
Contracts for sale of investments	-	2,855,306
Outstanding and accrued income	-	245
Application money pending allotment	20,000	46,000
Others - Dividend receivable	154,288	13,261
Sundry Debtors	40,205,921	4,209,025
Total	40,380,729	7,124,393

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, 2016

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.

1.7 Trustee fees

The Company has started charging Trustee fee of 0.01% per annum, with effect from November 01, 2015 in terms of the National Pension Scheme Trust circular no. 1/20/2015/NPS dated October 19, 2015.

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.

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, 2016	As at March 31, 2015
	Amount	Amount
Uncalled liability on partly paid shares	NIL	NIL
Other commitments	NIL	NIL

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
Mr. Fagun Pancholi	Key Management Personnel
Mr. Nagesh Pai	Key Management Personnel

The following represents significant transactions between the Company and its related parties for the year ended March 31, 2016

(In ₹)

Nature of Transaction	For the year ended March 31, 2016	For the year ended March 31, 2015
	Amount	Amount
Investment management fees	58,343	39,179

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Investment management fees payable	25,913	3,504

Aggregate investments made in the Associates and group companies as at March 31, 2016 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2016		As at March 31, 2015	
		Cost	Market Value	Cost	Market Value
HDFC Ltd	Equity	24,677,630	22,835,062.40	11,528,319	13,549,079

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, 2016 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2016		As at March 31, 2015	
		Cost	Market Value	Cost	Market Value
HDFC Bank Ltd	Equity	42,246,164	44,705,516	11,584,357	13,068,061

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, 2016 is as follows :

(In ₹)

Particular	For the year ended March 31, 2016	For the year ended March 31, 2015
Average Net Asset Value	510,954,665	84,738,577
Purchase of Investment	4,148,715,828	441,710,176
% to average Net Assets Value	812.00%	521.00%
Sale of Investment	2,867,708,380	267,823,153
% to average Net Assets Value	561.00%	316.00%

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, 2016 is as follows :

(In ₹)

Particular	For the year ended March 31, 2016	For the year ended March 31, 2015
Average Net Asset Value	510,954,665	84,738,577
Purchase of Investment	1,285,855,780	176,565,876
% to average Net Assets Value	252.00%	208.00%
Sale of Investment	40,933,112	16,984,580
% to average Net Assets Value	8.00%	20.00%

*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:

(In ₹)

Industry Classification	As at March 31, 2016		As at March 31, 2015	
	Market value	% of Industry Classification	Market value	% of Industry Classification
Monetary intermediation of commercial / saving / postal banks	336,551,802	22.77%	46,139,388	23.62%
Writing , modifying, testing of computer program	211,517,078	14.31%	31,427,885	16.09%
Manufacture of allopathic pharmaceutical preparations	105,634,444	7.15%	13,322,303	6.82%
Manufacture of cigarettes, cigarette tobacco	86,730,872	5.87%	11,953,154	6.12%
Activities of specialized institutions granting credit for house purchases	35,699,866	2.42%	13,549,077	6.94%
Others (Industries constitute less than 5%)	649416205	43.94%	75,969,318	38.89%
Mutual Funds	52,529,000	3.55%	15,438,500	7.90%
Net Current Assets	-95,595	-0.01%	-12,447,871	-6.37%
Net Asset Value	1,477,983,672	100.00%	195,351,754	100.00%

Note :

1. Industry classification has been taken at sub class level of National Industrial Classification (NIC) 2008.
2. Previous year figures have been reclassified/regrouped wherever applicable to conform to current years presentation.

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

(In ₹)

Security Name	Asset Type	Ageing	As at March 31, 2016	As at March 31, 2015
ICICI Prudential Liquid - Direct Plan - Growth.	Liquid Mutual Fund	Less than 7 Days	20,000	46,000

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

The wholly-owned subsidiary of HDFC Life, HDFC Pension Management Company Limited, is engaged in the business of management of private sector pension funds under the National Pension System, to which HDFC Life acts as the Sponsor. The Company has been in the business from August 2013. However, In January 2014, a fresh Request for Proposal ('RFP') was floated by the PFRDA seeking bids from Sponsors for selection of pension fund managers afresh to manage the pension funds. In response to the RFP, HDFC Life ('the Sponsor') had submitted its technical and commercial bid. 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. The Sponsor, 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. 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 therefore filed another Writ Petition before the Hon'ble High Court of Delhi against the rejection. Vide its Order dated December 18, 2014 the Hon'ble High Court of Delhi quashed and set aside the PFRDA's 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, by its Order dated March 9, 2015, refused to grant the PFRDA any ad-interim relief and the matter is presently pending hearing. On March 27, 2015, complying with the High Court order, the PFRDA had 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. The Company has obtained an opinion from its lawyers, as per which the Company stands a fairly good chance of succeeding in the matter. It may be noted that the PFRDA (Pension Fund) Regulations, 2015 were notified in May 2015, pursuant to which re-registration of all pension funds was sought by the PFRDA. HDFC Pension has submitted its application for the same, and a revert from the PFRDA is awaited.

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 YEAR ENDED MARCH 31, 2016

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Equity Shares	Infosys Ltd	86,582	105,482,851	7.14%
	ITC Ltd	264,222	86,730,872	5.87%
	ICICI Bank Ltd	308,575	73,024,274	4.94%
	Reliance Industries Ltd	69,613	72,759,508	4.92%
	Tata Consultancy Services Ltd	22,888	57,684,626	3.90%
	Axis Bank Ltd	102,910	45,707,477	3.09%
	HDFC Bank Ltd	41,736	44,705,516	3.02%
	Kotak Mahindra Bank Ltd	65,273	44,428,067	3.01%
	Larsen & Toubro Ltd	35,247	42,885,025	2.90%
	IndusInd Bank Ltd	41,597	40,249,257	2.72%
	State Bank of India	205,832	39,982,866	2.71%
	Sun Pharmaceuticals Industries Ltd	48,393	39,682,260	2.68%
	Tata Motors Ltd	86,901	33,595,927	2.27%
	Hindustan Unilever Ltd	33,178	28,848,271	1.95%
	Mahindra & Mahindra Ltd	21,758	26,342,411	1.78%
	Yes Bank Ltd	28,312	24,491,296	1.66%
	Maruti Suzuki India Ltd	6,154	22,870,110	1.55%
	Housing Devt Finance Corpn Ltd	20,654	22,835,062	1.55%
	Bharati Airtel Ltd	61,844	21,694,875	1.47%
	HCL Technologies Ltd	24,312	19,792,399	1.34%
	Asian Paints (India) Ltd	20,718	17,991,511	1.22%
	Dr Reddys Laboratories Ltd	5,788	17,567,738	1.19%
	Hero Motocorp Ltd	5,809	17,111,571	1.16%
	Lupin Ltd	11,168	16,520,264	1.12%
	Oil & Natural Gas Corporation Ltd	77,010	16,487,841	1.12%
	Coal India Ltd	54,046	15,778,730	1.07%
	Wipro Ltd	27,783	15,676,558	1.06%
	Bajaj Auto Ltd	6,400	15,398,080	1.04%
	Grasim Industries Ltd	3,732	14,346,368	0.97%
	UltraTech Cement Ltd	4,338	14,006,318	0.95%
	National Thermal Power Corporation Ltd	108,044	13,921,469	0.94%
	Power Grid Corporation of India Ltd	94,565	13,153,992	0.89%
	Tech Mahindra Ltd	27,120	12,880,644	0.87%
	LIC Housing Finance Ltd.	26,087	12,864,804	0.87%
	Tata Steel Ltd	40,133	12,830,520	0.87%
	Adani Ports And Special Economic Zone Ltd.	50,739	12,568,050	0.85%
	Cipla Ltd	23,410	11,984,750	0.81%
	Bank of Baroda	81,363	11,960,361	0.81%
	Shriram Transport Finance Co. Ltd.	12,377	11,797,138	0.80%
	Eicher Motors Ltd.	564	10,817,858	0.73%
	Bharat Petroleum Corporation Ltd	10,891	9,848,731	0.67%
	Zee Entertainment Enterprises Ltd	24,346	9,420,685	0.64%
	Bajaj Finserv Ltd.	5,400	9,239,940	0.63%
	Bharti Infratel Ltd	23,750	9,071,313	0.61%
	Aurobindo Pharma Ltd.	12,048	8,974,555	0.61%
	UPL Ltd.	18,430	8,804,011	0.60%
	Bosch Ltd	422	8,771,059	0.59%
	Indian Oil Corporation Ltd	20,532	8,081,395	0.55%
	Godrej Consumer Products Ltd.	5,734	7,917,507	0.54%
	Ambuja Cements Ltd	33,079	7,692,521	0.52%
	Britannia Industries Ltd.	2,768	7,436,232	0.50%
	Gas Authority of India Ltd.	20,278	7,227,079	0.49%
	Ashok Leyland Ltd	65,033	7,062,584	0.48%
	Hindalco Industries Ltd	76,251	6,706,275	0.45%
	Titan Industries Limited	19,160	6,497,156	0.44%
	Federal Bank Ltd.	139,822	6,494,732	0.44%
	Dabur India Ltd.	25,971	6,490,153	0.44%
	Power Finance Corporation Ltd.	36,511	6,256,160	0.42%
	Vedanta Ltd	65,680	5,901,348	0.40%

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

3. PORTFOLIO STATEMENT AS ON YEAR ENDED MARCH 31, 2016

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
	Marico Ltd	23,735	5,798,461	0.39%
	Associated Cement Co Ltd	4,050	5,596,695	0.38%
	Rural Electrification Corporation Ltd.	33,674	5,596,619	0.38%
	Divis Laboratories Ltd.	5,638	5,566,116	0.38%
	Punjab National Bank	65,029	5,507,956	0.37%
	Idea Cellular Ltd	49,909	5,499,972	0.37%
	Hindustan Petroleum Corporation Ltd.	6,832	5,381,908	0.36%
	Glenmark Pharmaceuticals Ltd.	6,715	5,338,761	0.36%
	Colgate Palmolive (India) Ltd.	6,278	5,216,076	0.35%
	Cummins India Ltd.	6,124	5,155,183	0.35%
	Tata Power Co. Ltd	77,562	5,014,383	0.34%
	Bharat Forge Ltd.	5,689	4,967,066	0.34%
	Apollo Hospitals Enterprises Ltd.	3,587	4,768,199	0.32%
	Container Corporation of India Ltd.	3,642	4,528,281	0.31%
	Bharat Heavy Electricals Ltd	39,614	4,510,054	0.31%
	Siemens Ltd	3,785	4,162,365	0.28%
	Cairn India Ltd	24,154	3,716,093	0.25%
	National Mineral Development Corporation Ltd	34,330	3,364,340	0.23%
	Oracle Financial Services Software Ltd.	946	3,338,812	0.23%
	Petronet LNG Ltd	13,139	3,294,603	0.22%
	Oil India Ltd.	5,998	1,877,373	0.13%
Equity Shares Total		3,283,711	1,425,550,267	96.45%
Mutual Fund Units	ICICI Prudential Liquid - Direct Plan - Growth	234,408	52,529,000	3.55%
Mutual Fund Units Total		234,408	52,529,000	3.55%
Net Current Assets		-	(95,595)	-0.01%
Grand Total		3,518,119	1,477,983,672	100.00%

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

3.1 KEY STATISTICS FOR THE YEAR ENDED MARCH 31, 2016

Sr No	Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
1	NAV per unit (₹) I		
	Open	15.4345	11.9990
	High	16.0622	16.3311
	Low	12.7527	11.9332
	End	14.2812	15.4345
2	Closing Assets Under Management (₹ in Lakhs)		
	End	14,779.84	1953.52
	Average daily net assets (AAuM) II	5,109.55	847.39
3	Gross income as % of AAuM III	1.93%	15.49%
4	Expense ratio		
a	Total expense as % of AAuM (scheme wise) IV	0.03%	0.05%
b	Management fee as % of AAuM (scheme wise) V	0.01%	0.05%
5	Net income as % of AAuM VI	-0.49%	15.06%
6	Portfolio turnover ratio VII	8.01%	20.04%
7	Total dividend per unit distributed during the period	N.A.	N.A.
8	Returns: (%)		
a	Last one year	-7.47%	28.63%
	Benchmark IX	-8.07%	28.33%
b	Since inception	42.81%	54.35%
	Benchmark IX	39.90%	50.74%
c	Compound annualised yield (%) VIII		
	Last 1 year	-7.47%	28.63%
	Last 2 year	9.10%	N.A.
	Last 3 year	N.A.	N.A.
	Since launch of the scheme	14.30%	29.82%
	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)		
IX	Post changes in the PFRDA investment regulation vide circular No PFRDA/2015/PFM/08 in September 2015; company has changed the fund management strategy of the equity schemes. Due to this change, the benchmark of the scheme has been changed from Nifty 50 to Nifty 100 effective from October 01, 2015. The benchmark return mentioned above represents the return of existing scheme benchmark, which is Nifty 100.		

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, 2016

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Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

T R Chadha & Co LLP

Chartered Accountants

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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, 2016 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.

T R Chadha & Co., a partnership firm converted into T R Chadha & Co LLP
(A limited liability partnership with LLP Identification No. AAF-3926) with effect from 28th December, 2015)

Corporate Office : B-30, Connaught Place, Kuthiala Building, New Delhi – 110001
Phone : 43259900, Fax : 43259930, E-mail : delhi@trchadha.com
Regd. Office : Suite No. 11A, 2nd Floor, Gobind Mansion, H-Block, Connaught Circus, New Delhi – 110001
Phone : 011 41513059 / 41513169

Branches at: ❖ AHMEDABAD ❖ BENGALURU ❖ CHENNAI ❖ GURGAON ❖ HYDERABAD ❖ PUNE

T R Chadha & Co LLP

Chartered Accountants

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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, 2016;
- 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.

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T R Chadha & Co LLP

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-
- 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. The CRA charges have been charged based on communication received from CRA.

For T R Chadha & Co LLP
Chartered Accountants
Firm Registration No 006711N/N500028

Vikas Kumar
Partner
Membership No 75363
Place:
Date:

T R Chadha & Co., a partnership firm converted into T R Chadha & Co LLP
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Regd. Office : Suite No. 11A, 2nd Floor, Gobind Mansion, H-Block, Connaught Circus, New Delhi – 110001
Phone : 011 41513059 / 41513169

Branches at: ❖ AHMEDABAD ❖ BENGALURU ❖ CHENNAI ❖ GURGAON ❖ HYDERABAD ❖ PUNE

NATIONAL PENSION SYSTEM TRUST

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

BALANCE SHEET AS AT MARCH 31, 2016

(In ₹)

Particulars	Schedule	As at March 31, 2016	As at March 31, 2015
		Amount	Amount
Liabilities			
Unit Capital	1	26,085,973	4,068,912
Reserves & Surplus	2	6,000,572	1,322,675
Current Liabilities and Provisions	3	955,649	84,318
Total		33,042,194	5,475,905
Assets			
Investments	4	32,138,444	5,369,660
Deposits	5	-	-
Other Current Assets	6	903,750	106,245
Total		33,042,194	5,475,905
(a) Net asset as per Balance Sheet (Schedule 4+5+6-3)		32,086,545	5,391,587
(b) Number of units outstanding		2,608,597	406,891
(c) NAV per unit (a)/(b) (₹)		12.3003	13.2506
Significant accounting policies and notes to accounts	7		

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

This is the Balance Sheet referred to in our report of even date.

For T R Chadha & Co LLP (FRN 006711N/N500028)

Chartered Accountants

Vikas Kumar
Partner
Membership No.75363

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

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

Sumit Shukla
(Chief Executive Officer)

Fagun Pancholi
(Chief Financial Officer)

Nagesh Pai
(Company Secretary)

Place : Mumbai

Date :

Place : Mumbai

Date : April 12, 2016

For and on Behalf of NPS Trust

Shailesh V.Haribhakti
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NATIONAL PENSION SYSTEM TRUST

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

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2016

(In ₹)

Particulars	Schedule	For the year ended March 31, 2016	For the year ended March 31, 2015
		Amount	Amount
Income			
Dividend		220,984	19,601
Interest		24	6
Profit on sale/redemption of investments		52,120	28,320
Unrealised gain on appreciation in investments		-	209,413
Total Income (A)		273,128	257,340
Expenses & Losses			
Unrealised losses in value of investments		784,544	42
Loss on sale/redemption of investments		7,758	4,983
Management fees (including service tax)		1,759	967
NPS Trust fees		889	-
Custodian fees		1,266	132
CRA fees		15,540	2,849
Less : Amount recoverable on sale of units on account of CRA Charges		(15,540)	(2,849)
Total Expenses & Losses (B)		796,216	6,124
Surplus/(Deficit) for the year (A-B = C)		(523,088)	251,216
Balance at the beginning of the period		48,868	7,023
Less: Amount transferred to Unrealised appreciation account		217,848	(209,371)
Less: Amount transferred to General Reserve		-	-
Balance at the end of the period carried to Balance Sheet		(256,372)	48,868
Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis.		-3.37%	12.20%
Total expenditure expressed as a percentage of average net assets, calculated on a daily basis.		0.03%	0.05%
Significant accounting policies and notes to accounts	7		

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

This is the Revenue Account referred to in our report of even date.

For T R Chadha & Co LLP (FRN 006711N/N500028)

Chartered Accountants

Vikas Kumar
Partner
Membership No.75363

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

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

Sumit Shukla
(Chief Executive Officer)

Fagun Pancholi
(Chief Financial Officer)

Nagesh Pai
(Company Secretary)

Place : Mumbai

Date :

Place : Mumbai

Date : April 12, 2016

For and on Behalf of NPS Trust

Shailesh V.Haribhakti
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NATIONAL PENSION SYSTEM TRUST
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	As at
	March 31, 2016	March 31, 2015
	Amount	Amount
Initial capital		
Unit capital		
Outstanding units at the beginning of the year	4,068,912	455,258
Add :Units issued during the year	23,491,486	3,901,873
Less: Units redeemed during the year	(1,474,425)	(288,219)
Closing balance	26,085,973	4,068,912
(Face Value of Rs.10/- each unit, fully paid up)		
Outstanding units at the beginning of the year	406,891	45,526
Add :Units issued during the year	2,349,149	390,187
Less: Units redeemed during the year	(147,443)	(28,822)
Outstanding Units at the end of the year	2,608,597	406,891

Schedule 2: Reserves and surplus

(In ₹)

Particulars	As at	As at
	March 31, 2016	March 31, 2015
	Amount	Amount
Unit premium reserve		
Opening balance	1,055,959	21,155
Add: Premium on Units issued	5,529,923	1,119,729
Less: Premium on Units redeemed	(328,938)	(84,925)
Closing balance	6,256,944	1,055,959
General Reserve		
Opening balance	-	-
Add: Transfer from Revenue Account	-	-
Closing balance	-	-
Unrealised Appreciation Reserve		
Opening balance	217,848	8,477
Change in net unrealised appreciation in value of investments	(217,848)	209,371
Closing balance	-	217,848
Surplus/(deficit) in Revenue account		
Opening balance	48,868	7,023
Add: Surplus during the year		41,845
Less: Deficit during the year	(305,240)	-
Closing balance	(256,372)	48,868
Total	6,000,572	1,322,675

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	As at	As at
	March 31, 2016	March 31, 2015
	Amount	Amount
Current liabilities & Provision		
Sundry creditors for expenses	2,199	169
Redemption Payable	54,548	1,713
TDS Payable	24	5
Contracts for purchase of investments	898,767	82,431
Provisions*	111	-
Total	955,649	84,318

* The Provision referred above is towards TDS payable on Custodian fees.

NATIONAL PENSION SYSTEM TRUST**NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II****Schedules forming part of the financial statements****Schedule 4: Investments (Long Term and Short Term)****(In ₹)**

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Equity shares	31,596,944	5,150,764
Debentures and Bonds Listed/Awaiting Listing	-	3,896
Others - Mutual funds	541,500	215,000
Total	32,138,444	5,369,660

Schedule 5: Deposits**(In ₹)**

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Deposits with scheduled banks	-	-
Total	-	-

Schedule 6: Other current assets**(In ₹)**

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Balances with banks in current account	688	1,519
Contracts for sale of investments	-	21,915
Outstanding and accrued income	-	6
Others - Dividend receivable	4,296	374
Sundry debtors	898,766	82,431
Total	903,750	106,245

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, 2016

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.

1.7 Trustee fees

The Company has started charging Trustee fee of 0.01% per annum, with effect from November 01, 2015 in terms of the National Pension Scheme Trust circular no. 1/20/2015/NPS dated October 19, 2015.

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.

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, 2016	As at March 31, 2015
	Amount	Amount
Uncalled liability on partly paid shares	NIL	NIL
Other commitments	NIL	NIL

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
Mr. Fagun Pancholi	Key Management Personnel
Mr. Nagesh Pai	Key Management Personnel

The following represents significant transactions between the Company and its related parties for the year ended March 31, 2016

(In ₹)

Nature of Transaction	For the year ended March 31, 2016	For the year ended March 31, 2015
	Amount	Amount
Investment management fees	1,759	967

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Investment management fees payable	638	88

Aggregate investments made in the Associates and group companies as at March 31, 2016 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2016		As at March 31, 2015	
		Cost	Market Value	Cost	Market Value
HDFC Ltd	Equity	858,402	784,976	312,408	357,870

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, 2016 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2016		As at March 31, 2015	
		Cost	Market Value	Cost	Market Value
HDFC Bank Ltd	Equity	877,134	935,114	323,800	347,718

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, 2016 is as follows :

(In ₹)

Particular	For the year ended March 31, 2016	For the year ended March 31, 2015
Average Net Asset Value	15,409,095	2,068,323
Purchase of Investment	64,258,296	13,472,915
% to average Net Assets Value	417.00%	651.00%
Sale of Investment	36,735,644	8,834,482
% to average Net Assets Value	238.00%	427.00%

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, 2016 is as follows :

(In ₹)

Particular	For the year ended March 31, 2016	For the year ended March 31, 2015
Average Net Asset Value	15,409,095	2,068,323
Purchase of Investment	27,364,096	4,556,115
% to average Net Assets Value	178.00%	220.00%
Sale of Investment	121,100	65,212
% to average Net Assets Value	1.00%	3.00%

*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:

(In ₹)

Industry Classification	As at March 31, 2016		As at March 31, 2015	
	Market value	% of Industry Classification	Market value	% of Industry Classification
Monetary intermediation of commercial / saving / postal banks	7,374,166	22.98%	1,243,121	23.06%
Writing , modifying, testing of computer program	4,692,730	14.63%	845,828	15.69%
Manufacture of allopathic pharmaceutical preparations	2,333,444	7.27%	355,612	6.60%
Manufacture of cigarettes, cigarette tobacco	1,927,156	6.01%	319,659	5.93%
Manufacture of refined petroleum products	1,612,744	5.03%	237,062	4.40%
Activities of specialized institutions granting credit for house purchases	1,069,524	3.33%	357,869	6.64%
Others (Industries constitute less than 5%)	12,587,180	39.23%	1,795,509	33.30%
Mutual Funds	541,500	1.69%	215,000	3.99%
Net Current Assets	(51,899)	-0.16%	21,927	0.41%
Net Asset Value	32,086,545	100.00%	5,391,587	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.

(In ₹)

Security Name	Asset Type	Ageing	As at March 31, 2016	As at March 31, 2015
			NIL	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

The wholly-owned subsidiary of HDFC Life, HDFC Pension Management Company Limited, is engaged in the business of management of private sector pension funds under the National Pension System, to which HDFC Life acts as the Sponsor. The Company has been in the business from August 2013. However, In January 2014, a fresh Request for Proposal ('RFP') was floated by the PFRDA seeking bids from Sponsors for selection of pension fund managers afresh to manage the pension funds. In response to the RFP, HDFC Life ('the Sponsor') had submitted its technical and commercial bid. 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. The Sponsor, 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. 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 therefore filed another Writ Petition before the Hon'ble High Court of Delhi against the rejection. Vide its Order dated December 18, 2014 the Hon'ble High Court of Delhi quashed and set aside the PFRDA's 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, by its Order dated March 9, 2015, refused to grant the PFRDA any ad-interim relief and the matter is presently pending hearing. On March 27, 2015, complying with the High Court order, the PFRDA had 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. The Company has obtained an opinion from its lawyers, as per which the Company stands a fairly good chance of succeeding in the matter. It may be noted that the PFRDA (Pension Fund) Regulations, 2015 were notified in May 2015, pursuant to which re-registration of all pension funds was sought by the PFRDA. HDFC Pension has submitted its application for the same, and a revert from the PFRDA is awaited.

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

3. PORTFOLIO STATEMENT AS ON YEAR ENDED MARCH 31, 2016

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Equity Shares	Infosys Ltd	1,920	2,339,136	7.29%
	ITC Ltd	5,871	1,927,156	6.01%
	Reliance Industries Ltd	1,543	1,612,744	5.03%
	ICICI Bank Ltd	6,795	1,608,037	5.01%
	Tata Consultancy Services Ltd	507	1,277,792	3.98%
	Axis Bank Ltd	2,268	1,007,332	3.14%
	Kotak Mahindra Bank Ltd	1,450	986,943	3.08%
	Larsen & Toubro Ltd	783	952,676	2.97%
	HDFC Bank Ltd	873	935,114	2.91%
	IndusInd Bank Ltd	921	891,160	2.78%
	State Bank of India	4,524	878,787	2.74%
	Sun Pharmaceuticals Industries Ltd	1,071	878,220	2.74%
	Housing Devt Finance Corpn Ltd	710	784,976	2.45%
	Tata Motors Ltd	1,921	742,659	2.31%
	Hindustan Unilever Ltd	737	640,822	2.00%
	Mahindra & Mahindra Ltd	486	588,400	1.83%
	Yes Bank Ltd	626	541,521	1.69%
	Maruti Suzuki India Ltd	136	505,417	1.58%
	Bharati Airtel Ltd	1,373	481,648	1.50%
	HCL Technologies Ltd	539	438,800	1.37%
	Asian Paints (India) Ltd	459	398,596	1.24%
	Dr Reddys Laboratories Ltd	128	388,506	1.21%
	Hero Motocorp Ltd	128	377,050	1.18%
	Oil & Natural Gas Corporation Ltd	1,705	365,041	1.14%
	Lupin Ltd	242	357,979	1.12%
	Coal India Ltd	1,199	350,048	1.09%
	Wipro Ltd	618	348,707	1.09%
	Grasim Industries Ltd	83	319,064	0.99%
	UltraTech Cement Ltd	96	309,960	0.97%
	National Thermal Power Corporation Ltd	2,393	308,338	0.96%
	Power Grid Corporation of India Ltd	2,101	292,249	0.91%
	Tech Mahindra Ltd	607	288,295	0.90%
	LIC Housing Finance Ltd.	577	284,548	0.89%
	Tata Steel Ltd	882	281,975	0.88%
	Adani Ports And Special Economic Zone Ltd.	1,118	276,929	0.86%
	Cipla Ltd	522	267,238	0.83%
	Bank of Baroda	1,786	262,542	0.82%
	Shriram Transport Finance Co. Ltd.	270	257,351	0.80%
	Eicher Motors Ltd.	13	249,348	0.78%
	Bharat Petroleum Corporation Ltd	241	217,936	0.68%
	Zee Entertainment Enterprises Ltd	543	210,114	0.65%
	Bajaj Finserv Ltd.	119	203,621	0.63%
	Bharti Infratel Ltd	523	199,760	0.62%
	Aurobindo Pharma Ltd.	268	199,633	0.62%
	UPL Ltd.	406	193,946	0.60%
	Bosch Ltd	9	187,061	0.58%
	Indian Oil Corporation Ltd	455	179,088	0.56%
	Godrej Consumer Products Ltd.	128	176,742	0.55%
	Ambuja Cements Ltd	732	170,227	0.53%
	Britannia Industries Ltd.	61	163,877	0.51%
	Bajaj Auto Ltd	68	163,605	0.51%
	Gas Authority of India Ltd.	450	160,380	0.50%
	Ashok Leyland Ltd	1,440	156,384	0.49%
Hindalco Industries Ltd	1,666	146,525	0.46%	
Dabur India Ltd.	573	143,193	0.45%	
Titan Industries Limited	422	143,100	0.45%	
Federal Bank Ltd.	3,045	141,440	0.44%	
Power Finance Corporation Ltd.	809	138,622	0.43%	
Vedanta Ltd	1,437	129,114	0.40%	
Marico Ltd	512	125,082	0.39%	
Associated Cement Co Ltd	90	124,371	0.39%	
Rural Electrification Corporation Ltd.	747	124,151	0.39%	
Divis Laboratories Ltd.	125	123,406	0.38%	
Punjab National Bank	1,432	121,290	0.38%	
Idea Cellular Ltd	1,100	121,220	0.38%	
Glenmark Pharmaceuticals Ltd.	149	118,462	0.37%	
Hindustan Petroleum Corporation Ltd.	149	117,375	0.37%	
Colgate Palmolive (India) Ltd.	139	115,488	0.36%	

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

3. PORTFOLIO STATEMENT AS ON YEAR ENDED MARCH 31, 2016

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
	Cummins India Ltd.	137	115,327	0.36%
	Tata Power Co. Ltd	1,718	111,069	0.35%
	Bharat Forge Ltd.	126	110,011	0.34%
	Apollo Hospitals Enterprises Ltd.	79	105,015	0.33%
	Container Corporation of India Ltd.	81	100,711	0.31%
	Bharat Heavy Electricals Ltd	876	99,733	0.31%
	Siemens Ltd	84	92,374	0.29%
	Cairn India Ltd	532	81,847	0.26%
	Oracle Financial Services Software Ltd.	21	74,116	0.23%
	National Mineral Development Corporation Ltd	754	73,891	0.23%
	Petronet LNG Ltd	292	73,218	0.23%
	Oil India Ltd.	132	41,315	0.13%
Equity Shares Total		72,651	31,596,944	98.47%
Mutual Fund Units	ICICI Prudential Liquid - Direct Plan - Growth	2,416	541,500	1.69%
Mutual Fund Units Total		2,416	541,500	1.69%
Net Current Assets		-	(51,899)	-0.16%
Grand Total		75,067	32,086,545	100.00%

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

3.1 KEY STATISTICS FOR THE YEAR ENDED MARCH 31, 2016

Sr No	Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
1	NAV per unit (₹) I Open High Low End	13.2506 13.7615 10.9822 12.3003	10.7929 13.9857 10.7740 13.2506
2	Closing Assets Under Management (₹ in Lakhs) End Average daily net assets (AAuM) II	320.87 154.09	53.92 20.68
3	Gross income as % of AAuM III	1.77%	12.44%
4	Expense ratio		
a	Total expense as % of AAuM (scheme wise) IV	0.03%	0.05%
b	Management fee as % of AAuM (scheme wise) V	0.01%	0.05%
5	Net income as % of AAuM VI	-3.39%	12.15%
6	Portfolio turnover ratio VII	0.79%	3.15%
7	Total dividend per unit distributed during the period	N.A.	N.A.
8	Returns: (%) VIII		
a	Last one year Benchmark X	-7.17% -8.07%	22.77% 28.33%
b	Since inception Benchmark X	23.00% 39.90%	32.51% 50.74%
c	Compound annualised yield (%) IX Last 1 year Last 2 year Last 3 year Since launch of the scheme	-7.17% 6.76% N.A. 8.08%	22.77% N.A. N.A. 18.44%
	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	Small size of the fund this has affected the fund performance. The investments into the mandated assets of the fund started in March'2014. From the date of inception of the fund till March'2014 the inflows were invested in liquid schemes of mutual funds due to small size of the fund. Further, as per fund objective of Tier II Scheme E, the fund only invests in equity securities through Equity Index basket. There is a minimum threshold amount for investment in Equity Index basket and till the time investable amount reaches this threshold, it is invested temporarily in liquid and money market schemes of mutual funds. Hence, Fund performance of the scheme is not comparable with the benchmark.		
IX	Compounded annualised yield is to be calculated based on following formula: $= (1 + \text{cumulative return})^n - 1$ (where n=365/no. of days)		
X	Post changes in the PFRDA investment regulation vide circular No PFRDA/2015/PFM/08 in September 2015; company has changed the fund management strategy of the equity schemes. Due to this change, the benchmark of the scheme has been changed from Nifty 50 to Nifty 100 effective from October 01, 2015. The benchmark return mentioned above represents the return of existing scheme benchmark, which is Nifty 100.		

**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, 2016

Contents

Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

T R Chadha & Co LLP

Chartered Accountants

502, Marathon Icon,
Off. Ganpatrao Kadam Marg
Opp. Peninsula Corporate Park
Lower Parel, Mumbai – 400 013
Tel.: 022-49669000
Fax.: 022-49669023
Email:mumbai@trchadha.com



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, 2016 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.

T R Chadha & Co., a partnership firm converted into T R Chadha & Co LLP
(A limited liability partnership with LLP Identification No. AAF-3926) with effect from 28th December, 2015)

Corporate Office : B-30, Connaught Place, Kuthiala Building, New Delhi – 110001
Phone : 43259900, Fax : 43259930, E-mail : delhi@trchadha.com
Regd. Office : Suite No. 11A, 2nd Floor, Gobind Mansion, H-Block, Connaught Circus, New Delhi – 110001
Phone : 011 41513059 / 41513169

Branches at: ❖ AHMEDABAD ❖ BENGALURU ❖ CHENNAI ❖ GURGAON ❖ HYDERABAD ❖ PUNE

T R Chadha & Co LLP

Chartered Accountants

502, Marathon Icon,
Off. Ganpatrao Kadam Marg
Opp. Peninsula Corporate Park
Lower Parel, Mumbai – 400 013
Tel.: 022-49669000
Fax.: 022-49669023
Email:mumbai@trchadha.com



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, 2016;
- 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.

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(A limited liability partnership with LLP Identification No. AAF-3926) with effect from 28th December, 2015)

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T R Chadha & Co LLP

Chartered Accountants

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Off. Ganpatrao Kadam Marg
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-
- 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. The CRA charges have been charged based on communication received from CRA.

For T R Chadha & Co LLP
Chartered Accountants
Firm Registration No 006711N/N500028

Vikas Kumar
Partner
Membership No 75363
Place:
Date:

T R Chadha & Co., a partnership firm converted into T R Chadha & Co LLP
(A limited liability partnership with LLP Identification No. AAF-3926) with effect from 28th December, 2015)

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Branches at: ❖ AHMEDABAD ❖ BENGALURU ❖ CHENNAI ❖ GURGAON ❖ HYDERABAD ❖ PUNE

NATIONAL PENSION SYSTEM TRUST

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

BALANCE SHEET AS AT MARCH 31, 2016

(In ₹)

Particulars	Schedule	As at March 31, 2016	As at March 31, 2015
		Amount	Amount
Liabilities			
Unit Capital	1	752,163,302	119,154,538
Reserves & Surplus	2	260,350,164	27,725,232
Current Liabilities and Provisions	3	516,349	396,516
Total		1,013,029,815	147,276,286
Assets			
Investments	4	975,498,875	140,313,542
Deposits	5	-	-
Other Current Assets	6	37,530,940	6,962,744
Total		1,013,029,815	147,276,286
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		1,012,513,466	146,879,770
(b) Number of units outstanding		75,216,330	11,915,454
(c) NAV per unit (a)/(b) (₹)		13.4613	12.3268
Significant accounting policies and notes to accounts	7		

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

This is the Balance Sheet referred to in our report of even date.

For T R Chadha & Co LLP (FRN 006711N/N500028)

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

Chartered Accountants

Vikas Kumar
Partner
Membership No.75363

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

Sumit Shukla
(Chief Executive Officer)

Fagun Pancholi
(Chief Financial Officer)

Nagesh Pai
(Company Secretary)

Place : Mumbai

Place : Mumbai

Date :

Date : April 12, 2016

For and on Behalf of NPS Trust

Shailesh V.Haribhakti
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NATIONAL PENSION SYSTEM TRUST

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

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2016

(In ₹)

Particulars	Schedule	For the year ended March 31, 2016	For the year ended March 31, 2015
		Amount	Amount
Income			
Interest		31,654,196	5,480,315
Profit on sale/redemption of investments		755,065	175,985
Unrealised gain on appreciation in investments		4,475,178	3,054,934
Total Income (A)		36,884,439	8,711,234
Expenses & Losses			
Unrealised losses in value of investments		-	1,286
Management fees (including service tax)		43,194	28,452
NPS Trust fees		24,013	-
Custodian fees		29,899	5,083
CRA fees		2,734,609	241,055
Less : Amount recoverable on sale of units on account of CRA Charges		(2,734,609)	(241,055)
Total Expenses & Losses (B)		97,106	34,821
Surplus/(Deficit) for the year (A-B = C)		36,787,333	8,676,413
Balance at the beginning of the period		5,910,235	287,470
Less: Amount transferred to Unrealised appreciation account		(4,475,178)	(3,053,648)
Less: Amount transferred to General Reserve		-	-
Balance at the end of the period carried to Balance Sheet		38,222,390	5,910,235
Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis.		9.75%	13.74%
Total expenditure expressed as a percentage of average net assets, calculated on a daily basis.		0.03%	0.05%
Significant accounting policies and notes to accounts	7		

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

This is the Revenue Account referred to in our report of even date.

For T R Chadha & Co LLP (FRN 006711N/N500028)

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

Chartered Accountants

Vikas Kumar
Partner
Membership No.75363

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

Sumit Shukla
(Chief Executive Officer)

Fagun Pancholi
(Chief Financial Officer)

Nagesh Pai
(Company Secretary)

Place : Mumbai

Date :

Place : Mumbai

Date : April 12, 2016

For and on Behalf of NPS Trust

Shailesh V.Haribhakti
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NATIONAL PENSION SYSTEM TRUST

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, 2016	As at March 31, 2015
	Amount	Amount
Initial capital		
<u>Initial capital</u>		
Outstanding at the beginning of the year	119,154,538	14,621,570
Add :Units issued during the year	646,849,771	106,317,230
Less: Units redeemed during the year	(13,841,007)	(1,784,262)
Outstanding at the end of the year	752,163,302	119,154,538
(Face Value of Rs.10/- each unit, fully paid up)		
Outstanding units at the beginning of the year	11,915,454	1,462,157
Add :Units issued during the year	64,684,977	10,631,723
Less: Units redeemed during the year	(1,384,101)	(178,426)
Outstanding Units at the end of the year	75,216,330	11,915,454

Schedule 2: Reserves and surplus

(In ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Unit premium reserve		
Opening balance	18,708,382	693,574
Add: Premium on Units issued	199,962,330	18,389,531
Less: Premium on Units redeemed	(4,124,731)	(374,723)
Closing balance	214,545,981	18,708,382
General Reserve		
Opening balance	-	-
Add: Transfer from Revenue Account	-	-
Closing balance	-	-
Unrealised Appreciation Reserve		
Opening balance	3,106,615	52,967
Add: Transfer from Revenue Account	4,475,178	3,053,648
Closing balance	7,581,793	3,106,615
Surplus/(deficit) in Revenue account		
Opening balance	5,910,235	287,470
Add: Surplus during the year	32,312,155	5,622,765
Less: Deficit during the year	-	-
Closing balance	38,222,390	5,910,235
Total	260,350,164	27,725,232

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Current liabilities		
Sundry creditors for expenses	59,611	5,167
Redemption Payable	200,754	128,400
TDS Payable	734	110
Interest received in advance	252,678	262,839
Provisions*	2,572	-
Total	516,349	396,516

* The Provision referred above is towards TDS payable on Custodian fees.

NATIONAL PENSION SYSTEM TRUST**NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I****Schedules forming part of the financial statements****Schedule 4: Investments (Long Term and Short Term)****(In ₹)**

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Debentures and Bonds Listed/Awaiting Listing	969,726,876	136,173,041
Others - Mutual funds	5,771,999	4,140,501
Total	975,498,875	140,313,542

Schedule 5: Deposits**(In ₹)**

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Deposits with scheduled banks	-	-
Total	-	-

Schedule 6: Other current assets**(In ₹)**

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Balances with banks in current account	270	265
Outstanding and accrued income	37,226,670	6,709,479
Application money pending allotment	304,000	253,000
Total	37,530,940	6,962,744

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, 2016

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 like Zero Coupon Bond and Money Market Investment are 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.

1.8 Trustee fees

The Company has started charging Trustee fee of 0.01% per annum, with effect from November 01, 2015 in terms of the National Pension Scheme Trust circular no. 1/20/2015/NPS dated October 19, 2015.

1.9 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.

2 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.

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, 2016	As at March 31, 2015
	Amount	Amount
Uncalled liability on partly paid shares	NIL	NIL
Other commitments	NIL	NIL

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
Mr. Fagun Pancholi	Key Management Personnel
Mr. Nagesh Pai	Key Management Personnel

The following represents significant transactions between the Company and its related parties for the year ended March 31, 2016

(In ₹)

Nature of Transaction	For the year ended March 31, 2016	For the year ended March 31, 2015
	Amount	Amount
Investment management fees	43,194	28,452

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Investment management fees payable	18,854	2,617

Aggregate investments made in the Associates and group companies as at March 31, 2016 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2016		As at March 31, 2015	
		Cost	Market Value	Cost	Market Value
		NIL	NIL	NIL	NIL

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, 2016 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2016		As at March 31, 2015	
		Cost	Market Value	Cost	Market Value
		NIL	NIL	NIL	NIL

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, 2016 is as follows :

(In ₹)

Particular	For the year ended March 31, 2016	For the year ended March 31, 2015
Average Net Asset Value	378,292,586	63,409,440
Purchase of Investment	3,170,924,246	488,001,284
% to average Net Assets Value	838.00%	770.00%
Sale of Investment	2,315,151,367	362,919,141
% to average Net Assets Value	612.00%	572.00%

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, 2016 is as follows :

(In ₹)

Particular	For the year ended March 31, 2016	For the year ended March 31, 2015
Average Net Asset Value	378,292,586	63,409,440
Purchase of Investment	854,896,474	134,211,330
% to average Net Assets Value	226.00%	212.00%
Sale of Investment	-	11,145,939
% to average Net Assets Value	0.00%	18.00%

*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:

(In ₹)

Industry Classification	As at March 31, 2016		As at March 31, 2015	
	Market value	% of Industry Classification	Market value	% of Industry Classification
Other credit granting	220,266,268	21.75%	49,667,476	33.82%
Other financial service activities, except insurance and pension	168,984,947	16.69%	20,917,015	14.24%
Monetary intermediation of commercial / saving / postal banks	85,402,597	8.43%	1,608,631	1.10%
Electric power generation and transmission by nuclear power plant	83,032,814	8.20%	3,263,428	2.22%
Activities of specialized institutions granting credit for house purchases	82,066,624	8.11%	8,361,229	5.69%
Service activities incidental to water transportation	78,296,821	7.73%	7,412,300	5.05%
Transmission Of Electrical Energy	66,578,695	6.58%	11,177,494	7.61%
Other monetary intermediation services n.e.c.	63,446,726	6.27%	3,001,416	2.04%
Activities of holding companies	18,893,703	1.87%	12,716,346	8.66%
Manufacture of other agrochemical products n.e.c.	16,878,663	1.67%	11,648,801	7.93%
Others (Industries constitute less than 5%)	85,879,018	8.48%	6,398,905	4.36%
Mutual Funds	5,771,999	0.57%	4,140,501	2.82%
Net Current Assets	37,014,591	3.66%	6,566,228	4.47%
Net Asset Value	1,012,513,466	100.00%	146,879,770	100.00%

Note :

- Industry classification has been taken at sub class level of National Industrial Classification (NIC) 2008.
- Previous year figures have been reclassified/regrouped wherever applicable to conform to current years presentation.

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

(In ₹)

Security Name	Asset Type	Ageing	As at March 31, 2016	As at March 31, 2015
Reliance Liquidity Fund - Direct Growth Plan - Growth Option	Liquid Mutual Fund	Less than 7 Days	304,000	253,000

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

The wholly-owned subsidiary of HDFC Life, HDFC Pension Management Company Limited, is engaged in the business of management of private sector pension funds under the National Pension System, to which HDFC Life acts as the Sponsor. The Company has been in the business from August 2013. However, in January 2014, a fresh Request for Proposal (RFP) was floated by the PFRDA seeking bids from Sponsors for selection of pension fund managers afresh to manage the pension funds. In response to the RFP, HDFC Life (the Sponsor) had submitted its technical and commercial bid. 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. The Sponsor, 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. 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 therefore filed another Writ Petition before the Hon'ble High Court of Delhi against the rejection. Vide its Order dated December 18, 2014 the Hon'ble High Court of Delhi quashed and set aside the PFRDA's 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, by its Order dated March 9, 2015, refused to grant the PFRDA any ad-interim relief and the matter is presently pending hearing. On March 27, 2015, complying with the High Court order, the PFRDA had 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. The Company has obtained an opinion from its lawyers, as per which the Company stands a fairly good chance of succeeding in the matter. It may be noted that the PFRDA (Pension Fund) Regulations, 2015 were notified in May 2015, pursuant to which re-registration of all pension funds was sought by the PFRDA. HDFC Pension has submitted its application for the same, and a revert from the PFRDA is awaited.

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, 2016

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Non-convertible Debenture	10.40% Reliance Ports and Terminal Ltd NCD Mat 18-Jul-2021	59	63,176,610	6.24%
	9.20 Capital First Ltd Mat 29-Jan-2021	50	50,169,764	4.95%
	10.15% BAJAJ FINANCE LTD NCD MAT 19-SEP-2024	43	45,318,879	4.48%
	9.95% Food Corporation of India Ltd Mat 07-03-2022.	40	43,015,150	4.25%
	10.25% Shriram Transport Fin NCD Mat 10-Oct-2024	29	30,737,238	3.04%
	8.40% Nuclear Power Corp. Mat 28-Nov-2025 (SR-XXIX TRCH-A)	29	29,568,195	2.92%
	8.49% NTPC NCD Mat 25-Mar-2025	2,244,982	28,685,258	2.83%
	8.67% IDFC Bank Ltd NCD Mat 03-Jan-2025	26	26,221,650	2.59%
	8.14% Nuclear Power Corp. Mat 25-03-2026(Tranche A)	26	26,067,821	2.57%
	9.00% LIC Housing Finance Ltd. Mat-23-NOV-2020	20	20,608,724	2.04%
	9.45% LIC Housing Finance Co. Ltd. Mat-30-Jan-2022	18	18,930,802	1.87%
	8.65% Power Finance Corporation Ltd.Mat-28-DEC-2024	18	18,375,286	1.81%
	8.40% Power Grid NCD Mat 27-May-2029	18	18,182,732	1.80%
	8.10% EXIM Bank NCD Mat-19-Nov-2025	18	17,794,418	1.76%
	8.50% EXIM Bank Mat-08-07-2023	17	17,169,371	1.70%
	10.35% United Phosphorus Ltd. NCD MAT 08-June-2019	16	16,878,663	1.67%
	8.75% IDFC Bank Ltd NCD Mat 28-Jul-2023	16	16,377,896	1.62%
	9.34% Rural Electrification Corp Ltd Mat 25-Aug-2024	15	15,906,949	1.57%
	8.70% Power Grid NCD Mat 15-JULY-2028	15	15,481,246	1.53%
	8.57% Rural Electrification Corp Ltd Mat 21-Dec-2024	15	15,248,253	1.51%
	8.45% Reliance Ports and Terminal Ltd NCD Mat 12-Jun-2023	15	15,120,211	1.49%
	9.39% Power Finance Corporation Ltd.Mat-27-Aug-2024	14	14,888,025	1.47%
	8.83% IRFC NCD Mat 14-May-2031	13	13,787,910	1.36%
	9.02% Rural Electrification Corp Ltd Mat 19-Nov-2022	13	13,462,330	1.33%
	9.43% LIC Housing Finance Co. Ltd. Mat-10-Feb-2022	12	12,612,907	1.25%
	9.15% EXIM Bank NCD Mat-05-Sep-2022	12	12,491,098	1.23%
	8.32% Power Grid NCD Mat 23-Dec-2030	12	12,020,073	1.19%
	8.82% Rural Electrification Corp. Ltd. Mat - 12.04.2023	11	11,303,264	1.12%
	8.50% LIC Housing Finance Co. Ltd. Mat-29-Aug-2025	11	11,153,402	1.10%
	9.17% IDFC Bank Ltd NCD Mat 14-Oct-2024	10	10,510,432	1.04%
	9.35% Rural Electrification Corp Ltd Mat 15-Jun-2022	10	10,494,899	1.04%
	8.52% Power Finance Corporation Ltd.Mat-09-Dec-2019	10	10,130,451	1.00%
	8.40 % L&T NCD Mat 24 Sep 20	10	10,077,099	1.00%
	9.25% Shriram Transport Fin NCD Mat 18-Mar-2021	10	10,058,281	0.99%
	9.30% Shriram Transport Fin NCD Mat 18-Mar-2026	10	10,046,013	0.99%
	8.14% Nuclear Power Corp. Mat 25-03-2028 (Tranche C)	10	10,029,281	0.99%
	8.89% IDFC Bank Ltd NCD Mat 02-Dec-2020	10	10,012,000	0.99%
	8.23% Rural Electrification Corp Ltd Mat 23-Jan-2025	10	9,984,160	0.99%
	8.20% Power Finance Corporation Ltd.Mat-10-03-2025	10	9,965,020	0.98%
	9.45% EXIM Bank NCD Mat-22-JAN-2019	9	9,316,577	0.92%
	8.14% Nuclear Power Corp. Mat 25-03-2027 (Tranche B)	9	9,016,155	0.89%
	9.69% Tata Sons Ltd NCD Mat 12-Jun-2022	8	8,523,310	0.84%
	8.85% Power Finance Corporation Ltd.Mat-15-06-2030	7	7,331,059	0.72%
	8.38% Power Finance Corporation Ltd.Mat-27-April-2020	7	7,051,514	0.70%
	8.83%IRFC NCD Mat 14-May-2034	6	6,396,672	0.63%
	10% Shriram Transport Fin NCD Mat 13-Nov-2024	6	6,275,921	0.62%
	8.83% IRFC NCD Mat 14-May-2035	5	5,338,367	0.53%
	9.22% LIC Housing Finance Co. Ltd. Mat 16-Oct-2024	5	5,270,191	0.52%
	9.25% Tata Sons Ltd NCD Mat 19-June-2019	5	5,176,013	0.51%
	8.40% Nuclear Power Corp. Mat 28-11-2026 (SR-XXIX TRCH-B)	5	5,104,507	0.50%
	8.73% IDFC Bank Ltd NCD Mat 14-Jun-2022	5	5,101,864	0.50%
	8.44% Rural Electrification Corp Ltd Mat 04-Dec-2021	5	5,036,190	0.50%
	8.75% Mahindra and Mahindra Financial Services Ltd Mat-09-Oct-2025	5	4,897,407	0.48%
	8.95%IRFC NCD Mat 10-Mar-2025	4	4,207,006	0.42%
	8.93% Power Grid NCD Mat 20-Oct-2027	4	4,189,734	0.41%
	8.93% Power Grid NCD Mat 20-Oct-2020	4	4,109,123	0.41%
	8.70% Power Finance Corp Ltd Mat 14-May-2020	4	4,070,947	0.40%
	8.64% IDFC Bank Ltd NCD Mat 15-April-2020	4	4,067,178	0.40%
	8.55% Power Finance Corporation Ltd.Mat-09-DEC-2021	4	4,046,880	0.40%
	9.38% IDFC Bank Ltd NCD Mat 12-September-2024	3	3,189,167	0.31%
	9.48% Rural Electrification Corp Ltd Mat 10-Aug-2021	3	3,161,696	0.31%
8.68%IRFC NCD Mat 29-11-2021	3	3,075,202	0.30%	
8.72% Rural Electrification Corp Ltd Mat 04-Sep-2019	3	3,061,886	0.30%	
8.68% LIC Housing Finance Ltd. Mat 30-Mar-2020	3	3,050,871	0.30%	
8.49% IDFC Bank Ltd NCD Mat 11-December-2024	3	3,032,799	0.30%	
8.27% Rural Electrification Corp Ltd Mat 09-Mar-2022	3	2,997,828	0.30%	
9.50% IL&FS Ltd. NCD Mat 28-July-2024	2,900	2,973,699	0.29%	
7.74%IRFC NCD Mat 22-12-2020	3	2,969,488	0.29%	
8.84% Power Grid NCD Mat 21-10-2023	2	2,571,888	0.25%	
9.80% L&T Infrastructure Finance Ltd Mat-16-01-2019.	1	2,540,467	0.25%	
10.70%IRFC NCD Mat 11-Sep-2023	2	2,283,358	0.23%	
9.18% Nuclear Power Corp. Mat 23-01-2028(Tranche D)	2	2,161,914	0.21%	
9.47% LIC Housing Finance Ltd 23rd Aug 2024	2	2,136,170	0.21%	
8.79% IRFC NCD Mat 04-May-2030	2	2,114,361	0.21%	
9.75% EXIM Bank NCD Mat-04-Oct-2020	2	2,113,789	0.21%	
8.93% Power Grid NCD Mat 20-Oct-2028	2	2,099,776	0.21%	
9.44% LIC Housing Finance Co. Ltd. Mat-30-Aug-2019	2	2,082,884	0.21%	
8.80% Food Corporation of India Ltd Mat 22-03-2028.	2	2,079,248	0.21%	
9.43% Tata Sons Ltd NCD Mat 02-Jun-2019	2	2,078,359	0.21%	
8.93% Power Grid NCD Mat 20-Oct-2024	2	2,073,685	0.20%	

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

3. PORTFOLIO STATEMENT AS ON YEAR ENDED MARCH 31, 2016

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
	8.80% Power Finance Corporation Ltd.Mat-15-JAN-2025	2	2,060,741	0.20%
	9.55% IL&FS Ltd. NCD Mat 13-Aug-2024	2,000	2,056,582	0.20%
	8.93% Power Grid NCD Mat 20-Oct-2021	2	2,053,860	0.20%
	8.70% IDFC Bank Ltd NCD Mat 23-June-2025	2	2,049,399	0.20%
	10% Shriram Transport Fin NCD Mat 15-07-2019	2,000	2,048,005	0.20%
	10.50% Shriram Transport Fin-Series II Mat 09-08-2017	2,000	2,036,514	0.20%
	9.55% Hindalco Ind. Ltd. NCD Mat 27-Jun-2022	2	2,022,264	0.20%
	8.69% IL&FS Ltd. NCD Mat 25-Aug-2025	2,000	1,954,751	0.19%
	0% NABARD ZCB mat 01-Jan-2018	100	1,747,662	0.17%
	8.50% NHPC NCD Mat 14-July-2023	15	1,515,529	0.15%
	9.25% Power Grid NCD Mat 24-07-2017	1	1,267,716	0.13%
	9.47% IRFC NCD Mat 10-May-2031	1	1,115,866	0.11%
	9.18% Nuclear Power Corp. Mat 23-01-2029(Tranche E)	1	1,084,941	0.11%
	9.46% Power Finance Corporation Ltd.Mat-01-AUG-2026	1	1,080,105	0.11%
	11.15% Rural Electrification Corp Ltd Mat 24-Oct-2018	1	1,069,903	0.11%
	9.74% Tata Sons Ltd NCD Mat 13-Jan-2024	1	1,067,587	0.11%
	9.75% Rural Electrification Corp Ltd Mat 11-Nov-2021	1	1,062,785	0.10%
	9.60% LIC Housing Finance Ltd. Mat-07-MAR-2021	1	1,056,170	0.10%
	8.94% Power Finance Corp Ltd. Mat 25-Mar-2028	1	1,050,064	0.10%
	9.51% LIC Housing Finance Co. Ltd. Mat-24-07-2019	1	1,042,255	0.10%
	9.20% Power Finance Corp Ltd Mat 07-July-2021	1	1,042,200	0.10%
	9.45% LIC Housing Finance Co. Ltd. Mat-10-Sept-2019	1	1,041,889	0.10%
	10.24% L&T Finance Ltd Mat-17-09-2019	1,000	1,039,580	0.10%
	9.63% LIC Housing Finance Co. Ltd. Mat-22-01-2019	1	1,039,540	0.10%
	9.65% LIC Housing Finance Co. Ltd. Mat-01-11-2018	1	1,036,770	0.10%
	9.33% IDFC Bank Ltd NCD Mat 14-March-2026	1	1,034,128	0.10%
	9.18% IDFC Bank Ltd NCD Mat 11-Jun-2024	1	1,032,147	0.10%
	8.83% IRFC NCD Mat 25-03-2023	1	1,028,022	0.10%
	8.97% Tata Sons Ltd NCD Mat 15-Jul-2020	1	1,027,445	0.10%
	8.90% IDFC Bank Ltd NCD Mat 29-Sep-2019	1	1,026,275	0.10%
	8.64% IRFC NCD Mat 17-May-2021	1	1,025,361	0.10%
	9.85% Tata Sons Ltd NCD Mat 21-May-2017.	1	1,020,989	0.10%
	8.55% IRFC NCD Mat 15-Jan-2019	1	1,019,200	0.10%
	8.95% Power Finance Corp Ltd Mat 11-Mar-2018	1	1,016,217	0.10%
	8.70% Power Grid NCD Mat 15/07/2018	1	1,013,333	0.10%
	8.36% Rural Electrification Corp Ltd Mat 22-SEP-2020	1	1,006,803	0.10%
	8.37% LIC Housing Finance Co. Ltd. Mat-21-05-2023	1	1,004,049	0.10%
	7.94% EXIM Bank Mat-22-05-2023	1	981,426	0.10%
	10.75% Shriram Transport Finance-Series II Mat 24-10-2018	397	411,892	0.04%
Non-convertible Debenture Total		2,258,288	969,726,876	95.77%
Mutual Fund Units	Reliance Liquidity Fund - Direct Growth Plan - Growth Option	2,530	5,771,999	0.57%
Mutual Fund Units Total		2,530	5,771,999	0.57%
Net Current Assets		-	37,014,591	3.66%
Grand Total		2,260,818	1,012,513,466	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, 2016

Sr No	Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
1	NAV per unit (₹) I		
	Open	12.3268	10.7002
	High	13.4613	12.3268
	Low	12.3377	10.6242
	End	13.4613	12.3268
2	Closing Assets Under Management (₹ in Lakhs)		
	End	10,125.13	1468.80
	Average daily net assets (AAuM) II	3,782.93	634.09
3	Gross income as % of AAuM III	9.75%	13.74%
4	Expense ratio		
a	Total expense as % of AAuM (scheme wise) IV	0.03%	0.05%
b	Management fee as % of AAuM (scheme wise) V	0.01%	0.04%
5	Net income as % of AAuM VI	9.72%	13.68%
6	Portfolio turnover ratio VII	0.00%	17.58%
7	Total dividend per unit distributed during the period	N.A.	N.A.
8	Returns: (%)		
a	Last one year	9.20%	15.20%
	Benchmark	8.24%	14.67%
b	Since inception	34.61%	23.27%
	Benchmark	29.81%	19.93%
c	Compound annualised yield (%) VIII		
	Last 1 year	9.20%	15.20%
	Last 2 year	12.16%	N.A.
	Last 3 year	N.A.	N.A.
	Since launch of the scheme	11.80%	13.40%
	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)		

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, 2016

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Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

T R Chadha & Co LLP

Chartered Accountants

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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, 2016 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.

T R Chadha & Co., a partnership firm converted into T R Chadha & Co LLP
(A limited liability partnership with LLP Identification No. AAF-3926) with effect from 28th December, 2015)

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Phone : 011 41513059 / 41513169

Branches at: ❖ AHMEDABAD ❖ BENGALURU ❖ CHENNAI ❖ GURGAON ❖ HYDERABAD ❖ PUNE

T R Chadha & Co LLP

Chartered Accountants

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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, 2016;
- 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.

T R Chadha & Co., a partnership firm converted into T R Chadha & Co LLP
(A limited liability partnership with LLP Identification No. AAF-3926) with effect from 28th December, 2015)

Corporate Office : B-30, Connaught Place, Kuthiala Building, New Delhi – 110001
Phone : 43259900, Fax : 43259930, E-mail : delhi@trchadha.com
Regd. Office : Suite No. 11A, 2nd Floor, Gobind Mansion, H-Block, Connaught Circus, New Delhi – 110001
Phone : 011 41513059 / 41513169

Branches at: ❖ AHMEDABAD ❖ BENGALURU ❖ CHENNAI ❖ GURGAON ❖ HYDERABAD ❖ PUNE

T R Chadha & Co LLP

Chartered Accountants

502, Marathon Icon,
Off. Ganpatrao Kadam Marg
Opp. Peninsula Corporate Park
Lower Parel, Mumbai – 400 013
Tel.: 022-49669000
Fax.: 022-49669023
Email:mumbai@trchadha.com



-
- 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. The CRA charges have been charged based on communication received from CRA.

For T R Chadha & Co LLP
Chartered Accountants
Firm Registration No 006711N/N500028

Vikas Kumar
Partner
Membership No 75363
Place:
Date:

T R Chadha & Co., a partnership firm converted into T R Chadha & Co LLP
(A limited liability partnership with LLP Identification No. AAF-3926) with effect from 28th December, 2015)

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Branches at: ❖ AHMEDABAD ❖ BENGALURU ❖ CHENNAI ❖ GURGAON ❖ HYDERABAD ❖ PUNE

NATIONAL PENSION SYSTEM TRUST

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

BALANCE SHEET AS AT MARCH 31, 2016

(In ₹)

Particulars	Schedule	As at March 31, 2016	As at March 31, 2015
		Amount	Amount
Liabilities			
Unit Capital	1	25,261,091	6,099,940
Reserves & Surplus	2	6,718,599	988,716
Current Liabilities and Provisions	3	38,340	5,274
Total		32,018,030	7,093,930
Assets			
Investments	4	30,820,736	6,909,437
Deposits	5	-	-
Other Current Assets	6	1,197,294	184,493
Total		32,018,030	7,093,930
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		31,979,690	7,088,656
(b) Number of units outstanding		2,526,109	609,994
(c) NAV per unit (a)/(b) (₹)		12.6596	11.6208
Significant accounting policies and notes to accounts	7		

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

This is the Balance Sheet referred to in our report of even date.

For T R Chadha & Co LLP (FRN 006711N/N500028)

Chartered Accountants

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

Vikas Kumar

Partner
Membership No.75363

Amitabh Chaudhry

(Director)

Vibha Padalkar

(Director)

Sumit Shukla

(Chief Executive Officer)

Fagun Pancholi

(Chief Financial Officer)

Nagesh Pai

(Company Secretary)

Place : Mumbai

Date :

Place : Mumbai

Date : April 12, 2016

For and on Behalf of NPS Trust

Shailesh V.Haribhakti

(Chairman, NPS Trust Board)

Kamal Chaudhry

(Chief Executive Officer)

Place :

Date :

NATIONAL PENSION SYSTEM TRUST

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

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2016

(In ₹)

Particulars	Schedule	For the year ended March 31, 2016	For the year ended March 31, 2015
		Amount	Amount
Income			
Interest		1,584,022	5,618
Profit on sale/redemption of investments		90,282	120,485
Unrealised gain on appreciation in investments		52,672	26,077
Total Income (A)		1,726,976	152,180
Expenses & Losses			
Unrealised losses in value of investments		-	967
Management fees (including service tax)		2,236	627
NPS Trust fees		1,046	-
Custodian fees		1,440	42
CRA fees		10,380	1,954
Less : Amount recoverable on sale of units on account of CRA Charges		(10,380)	(1,954)
Total Expenses & Losses (B)		4,722	1,636
Surplus/(Deficit) for the year (A-B = C)		1,722,254	150,544
Balance at the beginning of the period		130,006	4,572
Less: Amount transferred to Unrealised appreciation account		(52,672)	(25,110)
Less: Amount transferred to General Reserve		-	-
Balance at the end of the period carried to Balance Sheet		1,799,588	130,006
Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis.		8.81%	10.33%
Total expenditure expressed as a percentage of average net assets, calculated on a daily basis.		0.02%	0.05%
Significant accounting policies and notes to accounts	7		

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

This is the Revenue Account referred to in our report of even date.

For T R Chadha & Co LLP (FRN 006711N/N500028)

Chartered Accountants

Vikas Kumar
Partner
Membership No.75363

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

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

Sumit Shukla
(Chief Executive Officer)

Fagun Pancholi
(Chief Financial Officer)

Nagesh Pai
(Company Secretary)

Place : Mumbai
Date :

Place : Mumbai
Date : April 12, 2016

For and on Behalf of NPS Trust

Shailesh V.Haribhakti
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :
Date :

NATIONAL PENSION SYSTEM TRUST

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, 2016	As at March 31, 2015
	Amount	Amount
Initial capital		
Initial capital		
Outstanding at the beginning of the year	6,099,940	321,050
Add :Units issued during the year	20,305,704	6,001,693
Less: Units redeemed during the year	(1,144,553)	(222,803)
Outstanding at the end of the year	25,261,091	6,099,940
(Face Value of Rs.10/- each unit, fully paid up)		
Outstanding units at the beginning of the year	609,994	32,105
Add :Units issued during the year	2,030,570	600,169
Less: Units redeemed during the year	(114,455)	(22,280)
Outstanding Units at the end of the year	2,526,109	609,994

Schedule 2: Reserves and surplus

(In ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Unit premium reserve		
Opening balance	832,633	14,311
Add: Premium on Units issued	4,268,992	846,684
Less: Premium on Units redeemed	(261,363)	(28,362)
Closing balance	4,840,262	832,633
General Reserve		
Opening balance	-	-
Add: Transfer from Revenue Account	-	-
Closing balance	-	-
Unrealised Appreciation Reserve		
Opening balance	26,077	967
Change in net unrealised appreciation in value of investments	52,672	25,110
Closing balance	78,749	26,077
Surplus/(deficit) in Revenue account		
Opening balance	130,006	4,572
Add: Surplus during the year	1,669,582	125,434
Less: Deficit during the year	-	-
Closing balance	1,799,588	130,006
Total	6,718,599	988,716

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Current liabilities & Provisions		
Sundry creditors for expenses	2,502	116
Redemption Payable	35,686	1,767
TDS Payable	25	4
Interest received in advance	-	3,387
Provisions*	127	-
Total	38,340	5,274

* The Provision referred above is towards TDS payable on Custodian fees.

NATIONAL PENSION SYSTEM TRUST

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

Schedules forming part of the financial statements

Schedule 4: Investments (Long Term and Short Term)

(In ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Debentures and Bonds Listed/Awaiting Listing	29,987,536	5,190,436
Others - Mutual funds	833,200	1,719,001
Total	30,820,736	6,909,437

Schedule 5: Deposits

(In ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Deposits with scheduled banks	-	-
Total	-	-

Schedule 6: Other current assets

(In ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Balances with banks in current account	301	394
Contracts for sale of investments	-	-
Outstanding and accrued income	1,196,993	184,099
Application money pending allotment	-	-
Total	1,197,294	184,493

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, 2016

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 like Zero Coupon Bond and Money Market Investment are 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.

1.8 Trustee fees

The Company has started charging Trustee fee of 0.01% per annum, with effect from November 01, 2015 in terms of the National Pension Scheme Trust circular no. 1/20/2015/NPS dated October 19, 2015.

1.9 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.

2 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.

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

Notes to accounts

2.1 Contingent liabilities

(In ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Uncalled liability on partly paid shares	NIL	NIL
Other commitments	NIL	NIL

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
Mr. Fagun Pancholi	Key Management Personnel
Mr. Nagesh Pai	Key Management Personnel

The following represents significant transactions between the Company and its related parties for the half year ended March 31, 2016

(In ₹)

Nature of Transaction	For the year ended March 31, 2016	For the year ended March 31, 2015
	Amount	Amount
Investment management fees	2,236	627

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Investment management fees payable	755	98

Aggregate investments made in the Associates and group companies as at March 31, 2016 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2016		As at March 31, 2015	
		Cost	Market Value	Cost	Market Value
		NIL	NIL	NIL	NIL

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, 2016 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2016		As at March 31, 2015	
		Cost	Market Value	Cost	Market Value
		NIL	NIL	NIL	NIL

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, 2016 is as follows :

(In ₹)

Particular	For the year ended March 31, 2016	For the year ended March 31, 2015
Average Net Asset Value	19,600,236	1,464,468
Purchase of Investment	156,945,252	28,135,556
% to average Net Assets Value	801.00%	1921.00%
Sale of Investment	132,461,982	21,537,586
% to average Net Assets Value	676.00%	1471.00%

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, 2016 is as follows :

(In ₹)

Particular	For the year ended March 31, 2016	For the year ended March 31, 2015
Average Net Asset Value	19,600,236	1,464,468
Purchase of Investment	25,459,359	5,339,453
% to average Net Assets Value	130.00%	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:

(In ₹)

Industry Classification	As at March 31, 2016		As at March 31, 2015	
	Market value	% of Industry Classification	Market value	% of Industry Classification
Other credit granting	6,233,617	19.49%	3,087,475	43.56%
Other financial service activities, except insurance and pension	5,116,675	16.00%	-	-
Electric power generation and transmission by nuclear power plant	3,023,996	9.46%	-	-
Service activities incidental to water transportation	2,141,580	6.70%	-	-
Activities of specialized institutions granting credit for house purchases	2,093,600	6.55%	1,030,450	14.54%
Monetary intermediation of commercial / saving / postal banks	2,063,882	6.45%	-	-
Other monetary intermediation services n.e.c.	2,045,473	6.40%	-	-
Electric power generation by coal based thermal power plants	2,044,400	6.39%	-	-
Transmission Of Electrical Energy	2,028,603	6.34%	-	-
Activities of holding companies	1,065,414	3.33%	1,072,511	15.13%
Others (Industries constitute less than 5%)	2,130,296	6.66%	-	-
Mutual Funds	833,200	2.61%	1,719,001	24.25%
Net Current Assets	1,158,954	3.62%	179,219	2.53%
Net Asset Value	31,979,690	100.00%	7,088,656	100.00%

Note :

1. Industry classification has been taken at sub class level of National Industrial Classification (NIC) 2008.

2. Previous year figures have been reclassified/regrouped wherever applicable to conform to current years presentation.

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

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

(In ₹)

Security Name	Asset Type	Ageing	As at March 31, 2016	As at March 31, 2015
			NIL	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

The wholly-owned subsidiary of HDFC Life, HDFC Pension Management Company Limited, is engaged in the business of management of private sector pension funds under the National Pension System, to which HDFC Life acts as the Sponsor. The Company has been in the business from August 2013. However, In January 2014, a fresh Request for Proposal (RFP) was floated by the PFRDA seeking bids from Sponsors for selection of pension fund managers afresh to manage the pension funds. In response to the RFP, HDFC Life (the Sponsor) had submitted its technical and commercial bid. 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. The Sponsor, 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. 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 therefore filed another Writ Petition before the Hon'ble High Court of Delhi against the rejection. Vide its Order dated December 18, 2014 the Hon'ble High Court of Delhi quashed and set aside the PFRDA's 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, by its Order dated March 9, 2015, refused to grant the PFRDA any ad-interim relief and the matter is presently pending hearing. On March 27, 2015, complying with the High Court order, the PFRDA had 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. The Company has obtained an opinion from its lawyers, as per which the Company stands a fairly good chance of succeeding in the matter.

It may be noted that the PFRDA (Pension Fund) Regulations, 2015 were notified in May 2015, pursuant to which re-registration of all pension funds was sought by the PFRDA. HDFC Pension has submitted its application for the same, and a revert from the PFRDA is awaited.

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

3. PORTFOLIO STATEMENT AS ON YEAR ENDED MARCH 31, 2016

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Non-convertible Debenture	10.40% Reliance Ports and Terminal Ltd NCD Mat 18-Jul-2021	2	2,141,580	6.70%
	8.49% NTPC NCD Mat 25-Mar-2025	160,000	2,044,400	6.39%
	9.95% Food Corporation of India Ltd Mat 07-03-2022.	1	1,075,379	3.36%
	8.83%IRFC NCD Mat 14-May-2034	1	1,066,112	3.33%
	9.69% Tata Sons Ltd NCD Mat 12-Jun-2022	1	1,065,414	3.33%
	8.83% IRFC NCD Mat 14-May-2031	1	1,060,608	3.32%
	9.34% Rural Electrification Corp Ltd Mat 25-Aug-2024	1	1,060,463	3.32%
	10.25% Shriram Transport Fin NCD Mat 10-Oct-2024	1	1,059,905	3.31%
	9.75% EXIM Bank NCD Mat-04-Oct-2020	1	1,056,894	3.30%
	10.35% United Phosphorus Ltd. NCD MAT 08-June-2019	1	1,054,916	3.30%
	10.15% BAJAJ FINANCE LTD NCD MAT 19-SEP-2024	1	1,053,927	3.30%
	9.45% LIC Housing Finance Co. Ltd. Mat-30-Jan-2022	1	1,051,711	3.29%
	10% Shriram Transport Fin NCD Mat 13-Nov-2024	1	1,045,987	3.27%
	9.45% LIC Housing Finance Co. Ltd. Mat-10-Sept-2019	1	1,041,889	3.26%
	8.90% IDFC Bank Ltd NCD Mat 19-Nov-2025	1	1,040,263	3.25%
	8.85% Power Finance Corporation Ltd.Mat-31-05-2021	1	1,027,476	3.21%
	8.93% Power Grid NCD Mat 20-Oct-2021	1	1,026,930	3.21%
	8.75% IDFC Bank Ltd NCD Mat 28-Jul-2023	1	1,023,619	3.20%
	8.40% Nuclear Power Corp. Mat 28-Nov-2025 (SR-XXIX TRCH-A)	1	1,019,593	3.19%
	8.55% Power Finance Corporation Ltd.Mat-09-DEC-2021	1	1,011,720	3.16%
	8.44% Rural Electrification Corp Ltd Mat 04-Dec-2021	1	1,007,238	3.15%
	8.14% Nuclear Power Corp. Mat 25-03-2026(Tranche A)	1	1,002,608	3.14%
	8.14% Nuclear Power Corp. Mat 25-03-2027 (Tranche B)	1	1,001,795	3.13%
	8.32% Power Grid NCD Mat 23-Dec-2030	1	1,001,673	3.13%
	8.10% EXIM Bank NCD Mat-19-Nov-2025	1	988,579	3.09%
	8.75% Mahindra and Mahindra Finanical Services Ltd Mat-09-Oct-2025	1	979,481	3.06%
	8.69% IL&FS Ltd. NCD Mat 25-Aug-2025	1,000	977,376	3.06%
	Non-convertible Debenture Total		161,026	29,987,536
Mutual Fund Units	Reliance Liquidity Fund - Direct Growth Plan - Growth Option	365	833,200	2.61%
Mutual Fund Units Total		365	833,200	2.61%
Net Current Assets		-	1,158,954	3.62%
Grand Total		161,391	31,979,690	100.00%

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

3.1 KEY STATISTICS FOR THE YEAR ENDED MARCH 31, 2016

Sr No	Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
1	NAV per unit (₹) I		
	Open	11.6208	10.6116
	High	12.6596	11.6208
	Low	11.6242	10.6284
	End	12.6596	11.6208
2	Closing Assets Under Management (₹ in Lakhs)		
	End	319.80	70.89
	Average daily net assets (AAuM) II	196.00	14.64
3	Gross income as % of AAuM III	8.81%	10.39%
4	Expense ratio		
a	Total expense as % of AAuM (scheme wise) IV	0.02%	0.05%
b	Management fee as % of AAuM (scheme wise) V	0.01%	0.04%
5	Net income as % of AAuM VI	8.79%	10.28%
6	Portfolio turnover ratio VII	0.00%	0.00%
7	Total dividend per unit distributed during the period	N.A.	N.A.
8	Returns: (%) VIII		
a	Last one year	8.94%	9.51%
	Benchmark	8.24%	14.67%
b	Since inception	26.60%	16.21%
	Benchmark	29.81%	19.93%
c	Compound annualised yield (%) IX		
	Last 1 year	8.94%	9.51%
	Last 2 year	9.22%	N.A.
	Last 3 year	N.A.	N.A.
	Since launch of the scheme	9.25%	9.45%
	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	Small size of the fund this has affected the fund performance. The investments into the mandated assets of the fund started in March 2015. From the date of inception of the fund till March 2015 the inflows were invested in liquid schemes of mutual funds. As per fund objective of Tier II Scheme C, the fund only invests in Corporate Bonds. There is a minimum threshold of Rs.10 Lacs for investment in Corporate Bonds and till the time investable amount reaches this threshold, it is invested temporarily in liquid and money market schemes of mutual funds. Hence, Fund performance since inception of the scheme 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)		

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, 2016

Contents

Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

T R Chadha & Co LLP

Chartered Accountants

502, Marathon Icon,
Off. Ganpatrao Kadam Marg
Opp. Peninsula Corporate Park
Lower Parel, Mumbai – 400 013
Tel.: 022-49669000
Fax.: 022-49669023
Email:mumbai@trchadha.com



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, 2016 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.

T R Chadha & Co., a partnership firm converted into T R Chadha & Co LLP
(A limited liability partnership with LLP Identification No. AAF-3926) with effect from 28th December, 2015)

Corporate Office : B-30, Connaught Place, Kuthiala Building, New Delhi – 110001
Phone : 43259900, Fax : 43259930, E-mail : delhi@trchadha.com
Regd. Office : Suite No. 11A, 2nd Floor, Gobind Mansion, H-Block, Connaught Circus, New Delhi – 110001
Phone : 011 41513059 / 41513169

Branches at: ❖ AHMEDABAD ❖ BENGALURU ❖ CHENNAI ❖ GURGAON ❖ HYDERABAD ❖ PUNE

T R Chadha & Co LLP

Chartered Accountants

502, Marathon Icon,
Off. Ganpatrao Kadam Marg
Opp. Peninsula Corporate Park
Lower Parel, Mumbai – 400 013
Tel.: 022-49669000
Fax.: 022-49669023
Email:mumbai@trchadha.com



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, 2016;
- 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.

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T R Chadha & Co LLP

Chartered Accountants

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Off. Ganpatrao Kadam Marg
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-
- 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. The CRA charges have been charged based on communication received from CRA.

For T R Chadha & Co LLP
Chartered Accountants
Firm Registration No 006711N/N500028

Vikas Kumar
Partner
Membership No 75363
Place:
Date:

T R Chadha & Co., a partnership firm converted into T R Chadha & Co LLP
(A limited liability partnership with LLP Identification No. AAF-3926) with effect from 28th December, 2015)

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Branches at: ❖ AHMEDABAD ❖ BENGALURU ❖ CHENNAI ❖ GURGAON ❖ HYDERABAD ❖ PUNE

NATIONAL PENSION SYSTEM TRUST

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

BALANCE SHEET AS AT MARCH 31, 2016

(In ₹)

Particulars	Schedule	As at March 31, 2016	As at March 31, 2015
		Amount	Amount
Liabilities			
Unit Capital	1	895,774,852	139,818,985
Reserves & Surplus	2	288,381,748	33,286,326
Current Liabilities and Provisions	3	28,797,840	11,879,096
Total		1,212,954,440	184,984,407
Assets			
Investments	4	1,163,447,194	170,792,641
Deposits	5	-	-
Other Current Assets	6	49,507,246	14,191,766
Total		1,212,954,440	184,984,407
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		1,184,156,600	173,105,311
(b) Number of units outstanding		89,577,485	13,981,898
(c) NAV per unit (a)/(b) (₹)		13.2193	12.3806
Significant accounting policies and notes to accounts	7		

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

This is the Balance Sheet referred to in our report of even date.

For T R Chadha & Co LLP (FRN 006711N/N500028)

Chartered Accountants

Vikas Kumar
Partner
Membership No.75363

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

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

Sumit Shukla
(Chief Executive Officer)

Fagun Pancholi
(Chief Financial Officer)

Nagesh Pai
(Company Secretary)

Place : Mumbai

Date :

Place : Mumbai

Date : April 12, 2016

For and on Behalf of NPS Trust

Shailesh V.Haribhakti
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NATIONAL PENSION SYSTEM TRUST

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

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2016

(In ₹)

Particulars	Schedule	For the year ended March 31, 2016	For the year ended March 31, 2015
		Amount	Amount
Income			
Interest		32,638,257	5,995,628
Profit on sale/redemption of investments		866,236	213,216
Unrealised gain on appreciation in investments		9,173,325	6,840,709
Total Income (A)		42,677,818	13,049,553
Expenses & Losses			
Unrealised losses in value of investments		-	580
Management fees (including service tax)		47,671	34,940
NPS Trust fees		26,358	-
Custodian fees		33,180	6,155
CRA fees		2,790,077	266,302
Less : Amount recoverable on sale of units on account of CRA Charges		(2,790,077)	(266,302)
Total Expenses & Losses (B)		107,209	41,675
Surplus/(Deficit) for the year (A-B = C)		42,570,609	13,007,878
Balance at the beginning of the period		6,546,590	378,841
Less: Amount transferred to Unrealised appreciation account		(9,173,325)	(6,840,129)
Less: Amount transferred to General Reserve		-	-
Balance at the end of the period carried to Balance Sheet		39,943,874	6,546,590
Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis.		10.22%	17.47%
Total expenditure expressed as a percentage of average net assets, calculated on a daily basis.		0.03%	0.06%
Significant accounting policies and notes to accounts	7		

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

This is the Revenue Account referred to in our report of even date.

For T R Chadha & Co LLP (FRN 006711N/N500028)

Chartered Accountants

Vikas Kumar
Partner
Membership No.75363

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

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

Sumit Shukla
(Chief Executive Officer)

Fagun Pancholi
(Chief Financial Officer)

Nagesh Pai
(Company Secretary)

Place : Mumbai

Date :

Place : Mumbai

Date : April 12, 2016

For and on Behalf of NPS Trust

Shailesh V.Haribhakti
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NATIONAL PENSION SYSTEM TRUST
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, 2016	As at March 31, 2015
	Amount	Amount
Initial capital		
Unit capital		
Outstanding units at the beginning of the year	139,818,985	19,444,475
Add :Units issued during the year	771,653,637	121,393,204
Less: Units redeemed during the year	(15,697,770)	(1,018,694)
Closing balance	895,774,852	139,818,985
(Face Value of Rs.10/- each unit, fully paid up)		
Outstanding units at the beginning of the year	13,981,898	1,944,447
Add :Units issued during the year	77,165,364	12,139,320
Less: Units redeemed during the year	(1,569,777)	(101,869)
Outstanding Units at the end of the year	89,577,485	13,981,898

Schedule 2: Reserves and surplus

(In ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Unit premium reserve		
Opening balance	19,845,979	214,061
Add: Premium on Units issued	216,536,331	19,802,161
Less: Premium on Units redeemed	(4,011,518)	(170,243)
Closing balance	232,370,792	19,845,979
General Reserve		
Opening balance	-	-
Add: Transfer from Revenue Account	-	-
Closing balance	-	-
Unrealised Appreciation Reserve		
Opening balance	6,893,757	53,628
Change in net unrealised appreciation in value of investments	9,173,325	6,840,129
Closing balance	16,067,082	6,893,757
Surplus/(deficit) in Revenue account		
Opening balance	6,546,590	378,841
Add: Surplus during the year	33,397,284	6,167,749
Less: Deficit during the year	-	-
Closing balance	39,943,874	6,546,590
Total	288,381,748	33,286,326

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Current liabilities & Provisions		
Sundry creditors for expenses	65,436	6,084
Redemption Payable	122,951	123,724
TDS Payable	824	128
Contracts for purchase of investments	28,605,750	11,749,160
Provisions*	2,879	-
Total	28,797,840	11,879,096

* The Provision referred above is towards TDS payable on Custodian fees.

NATIONAL PENSION SYSTEM TRUST**NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I****Schedules forming part of the financial statements****Schedule 4: Investments (Long Term and Short Term)****(In ₹)**

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Central and state government securities (including treasury bills)	1,150,015,694	170,774,141
Others - Mutual funds	13,431,500	18,500
Total	1,163,447,194	170,792,641

Schedule 5: Deposits**(In ₹)**

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Deposits with scheduled banks	-	-
Total	-	-

Schedule 6: Other current assets**(In ₹)**

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Balances with banks in current account	475	526
Contracts for sale of investments	-	-
Outstanding and accrued income	20,901,022	2,442,080
Sundry debtors	28,605,749	11,749,160
Total	49,507,246	14,191,766

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, 2016

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/installment 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) is 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.

1.8 Trustee fees

The Company has started charging Trustee fee of 0.01% per annum, with effect from November 01, 2015 in terms of the National Pension Scheme Trust circular no. 1/20/2015/NPS dated October 19, 2015.

1.9 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.

2 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.

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, 2016	As at March 31, 2015
	Amount	Amount
Uncalled liability on partly paid shares	NIL	NIL
Other commitments	NIL	NIL

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
Mr. Fagun Pancholi	Key Management Personnel
Mr. Nagesh Pai	Key Management Personnel

The following represents significant transactions between the Company and its related parties for the year ended March 31, 2016

(In ₹)

Nature of Transaction	For the year ended March 31, 2016	For the year ended March 31, 2015
	Amount	Amount
Investment management fees	47,671	34,940

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Investment management fees payable	20,607	3,061

Aggregate investments made in the Associates and group companies as at March 31, 2016 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2016		As at March 31, 2015	
		Cost	Market Value	Cost	Market Value
		NIL	NIL	NIL	NIL

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, 2016 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2016		As at March 31, 2015	
		Cost	Market Value	Cost	Market Value
		NIL	NIL	NIL	NIL

2.4 Provision

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

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

Notes to accounts

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, 2016 is as follows :

(In ₹)

Particular	For the year ended March 31, 2016	For the year ended March 31, 2015
Average Net Asset Value	417,530,011	74,693,163
Purchase of Investment	2,274,955,763	243,295,270
% to average Net Assets Value	545.00%	326.00%
Sale of Investment	1,274,412,399	96,611,139
% to average Net Assets Value	305.00%	129.00%

Aggregate value of purchase and sale (excluding liquid mutual fund)* with percentage to average assets as at March 31, 2016 is as follows :

(In ₹)

Particular	For the year ended March 31, 2016	For the year ended March 31, 2015
Average Net Asset Value	417,530,011	74,693,163
Purchase of Investment	1,013,691,362	154,606,320
% to average Net Assets Value	243.00%	207.00%
Sale of Investment	26,156,835	7,014,332
% to average Net Assets Value	6.00%	9.00%

*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:

(In ₹)

Industry Classification	As at March 31, 2016		As at March 31, 2015	
	Market value	% of Industry Classification	Market value	% of Industry Classification
Central Government Securities	1,117,469,922	94.37%	167,514,445	96.77%
State Development Loans	32,545,772	2.75%	3,259,696	1.88%
Mutual Funds	13,431,500	1.13%	18,500	0.01%
Net Current Assets	20,709,406	1.75%	2,312,670	1.34%
Net Asset Value	1,184,156,600	100.00%	173,105,311	100.00%

Note :

1. Industry classification has been taken at sub class level of National Industrial Classification (NIC) 2008.
2. Previous year figures have been reclassified/regrouped wherever applicable to conform to current years presentation.

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

(In ₹)

Security Name	Asset Type	Ageing	As at March 31, 2016	As at March 31, 2015
			NIL	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

The wholly-owned subsidiary of HDFC Life, HDFC Pension Management Company Limited, is engaged in the business of management of private sector pension funds under the National Pension System, to which HDFC Life acts as the Sponsor. The Company has been in the business from August 2013. However, In January 2014, a fresh Request for Proposal ('RFP') was floated by the PFRDA seeking bids from Sponsors for selection of pension fund managers afresh to manage the pension funds. In response to the RFP, HDFC Life ('the Sponsor') had submitted its technical and commercial bid. 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. The Sponsor, 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. 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 therefore filed another Writ Petition before the Hon'ble High Court of Delhi against the rejection. Vide its Order dated December 18, 2014 the Hon'ble High Court of Delhi quashed and set aside the PFRDA's 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, by its Order dated March 9, 2015, refused to grant the PFRDA any ad-interim relief and the matter is presently pending hearing. On March 27, 2015, complying with the High Court order, the PFRDA had 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. The Company has obtained an opinion from its lawyers, as per which the Company stands a fairly good chance of succeeding in the matter.

It may be noted that the PFRDA (Pension Fund) Regulations, 2015 were notified in May 2015, pursuant to which re-registration of all pension funds was sought by the PFRDA. HDFC Pension has submitted its application for the same, and a revert from the PFRDA is awaited.

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

3. PORTFOLIO STATEMENT AS ON YEAR ENDED MARCH 31, 2016

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Government Securities	8.13% GOI MAT 22-Jun-2045	1,379,000	141,278,550	11.93%
	9.23% GOI MAT 23-Dec-2043	1,080,100	122,699,360	10.36%
	8.40% GOI Mat 28-JUL-2024	944,600	98,087,264	8.28%
	8.17% GOI MAT 01-Dec-2044	946,500	97,205,550	8.21%
	8.24% GOI MAT 10 Nov 2033	925,200	95,018,040	8.02%
	9.20% GOI Mat 30-Sep-2030	769,500	85,106,700	7.19%
	8.30% GOI Mat 31-Dec-2042	818,100	84,959,685	7.17%
	7.88%GOI 19March2030	813,700	81,691,412	6.90%
	8.28% GOI Mat 15-Feb-2032	493,800	50,804,317	4.29%
	8.24% GOI MAT 15 Feb 2027	437,700	45,267,109	3.82%
	8.83% GOI MAT 25 Nov 2023	414,200	43,946,620	3.71%
	8.30% GOI MAT 02-July-2040	378,000	39,236,400	3.31%
	8.60% GOI MAT 2JUN2028	301,800	31,939,494	2.70%
	8.15% GOI Mat 24-Nov-2026	254,100	26,078,283	2.20%
	8.28% GOI Mat 21-Sep-2027	233,700	24,199,635	2.04%
	8.32% GOI Mat 02-Aug-2032	191,900	19,856,142	1.68%
	8.83% GOI Mat 12-Dec-2041	104,100	11,382,294	0.96%
	7.73% GOI Mat 19-Dec-2034	87,700	8,663,006	0.73%
	8.26% GOI Mat 02-Aug-2027	24,900	2,575,860	0.22%
	8.20% GOI Mat 24-Sep-2025	22,400	2,302,272	0.19%
8.33% GOI Mat 09-Jul-2026	17,100	1,774,240	0.15%	
7.95% GOI Maturity 28-Aug-2032	15,600	1,569,204	0.13%	
8.33% GOI Mat-07-Jun-2036	8,000	829,548	0.07%	
7.16% GOI Mat 20-May-2023	6,300	610,029	0.05%	
7.28% GOI Mat 03-Jun-2019	3,900	388,908	0.03%	
Government Securities Total		10,671,900	1,117,469,922	94.37%
State Development Loans	8.72% Andhra Pradesh SDL Mat 24-Feb-2026	100,000	10,397,690	0.88%
	8.00% Tamil Nadu SDL Mat 28-Oct-2025	80,000	7,965,440	0.67%
	8.24% Andhra Pradesh SDL Mat 09-Sep-2025	43,300	4,356,448	0.37%
	8.44% Tamil Nadu SDL Mat 26-Nov-2024	40,500	4,120,656	0.35%
	8.17% Tamil Nadu SDL Mat 26-Nov-2025	24,600	2,469,439	0.21%
	9.77% Andhra Pradesh SDL Mat 28-Aug-2023	10,000	1,087,462	0.09%
	9.49% Tamil Nadu SDL Mat 18-Dec-2023	10,000	1,076,840	0.09%
	9.39% Maharashtra SDL 20-Nov-2023	10,000	1,071,797	0.09%
State Development Loans Total		318,400	32,545,772	2.75%
Mutual Fund Units	Birla Sun Life Cash Plus - Growth - Direct Plan	55,256	13,431,500	1.13%
Mutual Fund Units Total		55,256	13,431,500	1.13%
Net Current Assets		-	20,709,406	1.75%
Grand Total		11,045,556	1,184,156,600	100.00%

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

3.1 KEY STATISTICS FOR THE YEAR ENDED MARCH 31, 2016

Sr No	Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
1	NAV per unit (₹) I		
	Open	12.3806	10.3277
	High	13.2193	12.4007
	Low	12.1525	10.1566
	End	13.2193	12.3806
2	Closing Assets Under Management (₹ in Lakhs)		
	End	11841.57	1731.05
	Average daily net assets (AAuM) II	4175.30	746.93
3	Gross income as % of AAuM III	10.22%	17.47%
4	Expense ratio		
a	Total expense as % of AAuM (scheme wise) IV	0.03%	0.06%
b	Management fee as % of AAuM (scheme wise) V	0.01%	0.05%
5	Net income as % of AAuM VI	10.20%	17.42%
6	Portfolio turnover ratio VII	6.26%	9.39%
7	Total dividend per unit distributed during the period	N.A.	N.A.
8	Returns: (%)		
a	Last one year	6.77%	19.88%
	Benchmark	7.26%	20.08%
b	Since inception	32.19%	23.81%
	Benchmark	31.10%	22.23%
c	Compound annualised yield (%) VIII		
	Last 1 year	6.77%	19.88%
	Last 2 year	13.14%	N.A.
	Last 3 year	N.A.	N.A.
	Since launch of the scheme	11.04%	13.70%
	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)		

**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, 2016

Contents

Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

T R Chadha & Co LLP

Chartered Accountants

502, Marathon Icon,
Off. Ganpatrao Kadam Marg
Opp. Peninsula Corporate Park
Lower Parel, Mumbai – 400 013
Tel.: 022-49669000
Fax.: 022-49669023
Email:mumbai@trchadha.com



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, 2016 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.

T R Chadha & Co., a partnership firm converted into T R Chadha & Co LLP
(A limited liability partnership with LLP Identification No. AAF-3926) with effect from 28th December, 2015)

Corporate Office : B-30, Connaught Place, Kuthiala Building, New Delhi – 110001
Phone : 43259900, Fax : 43259930, E-mail : delhi@trchadha.com
Regd. Office : Suite No. 11A, 2nd Floor, Gobind Mansion, H-Block, Connaught Circus, New Delhi – 110001
Phone : 011 41513059 / 41513169

Branches at: ❖ AHMEDABAD ❖ BENGALURU ❖ CHENNAI ❖ GURGAON ❖ HYDERABAD ❖ PUNE

T R Chadha & Co LLP

Chartered Accountants

502, Marathon Icon,
Off. Ganpatrao Kadam Marg
Opp. Peninsula Corporate Park
Lower Parel, Mumbai – 400 013
Tel.: 022-49669000
Fax.: 022-49669023
Email:mumbai@trchadha.com



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, 2016;
- 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.

T R Chadha & Co., a partnership firm converted into T R Chadha & Co LLP
(A limited liability partnership with LLP Identification No. AAF-3926) with effect from 28th December, 2015)

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Branches at: ❖ AHMEDABAD ❖ BENGALURU ❖ CHENNAI ❖ GURGAON ❖ HYDERABAD ❖ PUNE

T R Chadha & Co LLP

Chartered Accountants

502, Marathon Icon,
Off. Ganpatrao Kadam Marg
Opp. Peninsula Corporate Park
Lower Parel, Mumbai – 400 013
Tel.: 022-49669000
Fax.: 022-49669023
Email:mumbai@trchadha.com



-
- 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. The CRA charges have been charged based on communication received from CRA.

For T R Chadha & Co LLP
Chartered Accountants
Firm Registration No 006711N/N500028

Vikas Kumar
Partner
Membership No 75363
Place:
Date:

T R Chadha & Co., a partnership firm converted into T R Chadha & Co LLP
(A limited liability partnership with LLP Identification No. AAF-3926) with effect from 28th December, 2015)

Corporate Office : B-30, Connaught Place, Kuthiala Building, New Delhi – 110001
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Branches at: ❖ AHMEDABAD ❖ BENGALURU ❖ CHENNAI ❖ GURGAON ❖ HYDERABAD ❖ PUNE

NATIONAL PENSION SYSTEM TRUST

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

BALANCE SHEET AS AT MARCH 31, 2016

(In ₹)

Particulars	Schedule	As at March 31, 2016	As at March 31, 2015
		Amount	Amount
Liabilities			
Unit Capital	1	17,424,438	2,339,290
Reserves & Surplus	2	6,125,686	620,390
Current Liabilities and Provisions	3	57,086	977
Total		23,607,210	2,960,657
Assets			
Investments	4	23,025,035	2,916,344
Deposits	5	-	-
Other Current Assets	6	582,175	44,313
Total		23,607,210	2,960,657
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		23,550,124	2,959,680
(b) Number of units outstanding		1,742,444	233,929
(c) NAV per unit (a)/(b) (₹)		13.5155	12.6520
Significant accounting policies and notes to accounts	7		

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

This is the Balance Sheet referred to in our report of even date.

For T R Chadha & Co LLP (FRN 006711N/N500028)

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

Chartered Accountants

Vikas Kumar
Partner
Membership No.75363

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

Sumit Shukla
(Chief Executive Officer)

Fagun Pancholi
(Chief Financial Officer)

Nagesh Pai
(Company Secretary)

Place : Mumbai

Place : Mumbai

Date :

Date : April 12, 2016

For and on Behalf of NPS Trust

Shailesh V.Haribhakti
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NATIONAL PENSION SYSTEM TRUST

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

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2016

(In ₹)

Particulars	Schedule	For the year ended March 31, 2016	For the year ended March 31, 2015
		Amount	Amount
Income			
Interest		792,014	96,476
Profit on sale/redemption of investments		16,861	5,147
Unrealised gain on appreciation in investments		138,401	103,519
Total Income (A)		947,276	205,142
Expenses & Losses			
Unrealised losses in value of investments			12
Loss on sale/redemption of investments		8,157	-
Management fees (including service tax)		1,155	607
NPS Trust fees		632	-
Custodian fees		803	99
CRA fees		11,213	2,033
Less : Amount recoverable on sale of units on account of CRA Charges		(11,213)	(2,033)
Total Expenses & Losses (B)		10,747	718
Surplus/(Deficit) for the year (A-B = C)		936,529	204,424
Balance at the beginning of the period		104,954	4,037
Less: Amount transferred to Unrealised appreciation account		(138,401)	(103,507)
Less: Amount transferred to General Reserve		-	-
Balance at the end of the period carried to Balance Sheet		903,082	104,954
Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis.		9.28%	16.82%
Total expenditure expressed as a percentage of average net assets, calculated on a daily basis.		0.03%	0.06%
Significant accounting policies and notes to accounts	7		

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

This is the Revenue Account referred to in our report of even date.

For T R Chadha & Co LLP (FRN 006711N/N500028)

Chartered Accountants

Vikas Kumar
Partner
Membership No.75363

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

Amitabh Chaudhry
(Director)

Vibha Padalkar
(Director)

Sumit Shukla
(Chief Executive Officer)

Fagun Pancholi
(Chief Financial Officer)

Nagesh Pai
(Company Secretary)

Place : Mumbai

Date :

Place : Mumbai

Date : April 12, 2016

For and on Behalf of NPS Trust

Shailesh V.Haribhakti
(Chairman, NPS Trust Board)

Kamal Chaudhry
(Chief Executive Officer)

Place :

Date :

NATIONAL PENSION SYSTEM TRUST
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, 2016	As at March 31, 2015
	Amount	Amount
Initial capital		
Unit capital		
Outstanding units at the beginning of the year	2,339,290	307,299
Add :Units issued during the year	16,308,856	2,206,638
Less: Units redeemed during the year	(1,223,708)	(174,647)
Closing balance	17,424,438	2,339,290
(Face Value of Rs.10/- each unit, fully paid up)		
Outstanding units at the beginning of the year	233,929	30,730
Add :Units issued during the year	1,630,886	220,664
Less: Units redeemed during the year	(122,371)	(17,465)
Outstanding Units at the end of the year	1,742,444	233,929

Schedule 2: Reserves and surplus

(In ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Unit premium reserve		
Opening balance	410,709	13,080
Add: Premium on Units issued	4,938,370	435,859
Less: Premium on Units redeemed	(369,603)	(38,230)
Closing balance	4,979,476	410,709
General Reserve		
Opening balance	-	-
Add: Transfer from Revenue Account	-	-
Closing balance	-	-
Unrealised Appreciation Reserve		
Opening balance	104,727	1,220
Change in net unrealised appreciation in value of investments	138,401	103,507
Closing balance	243,128	104,727
Surplus/(deficit) in Revenue account		
Opening balance	104,954	4,037
Add: Surplus during the year	798,128	100,917
Less: Deficit during the year	-	-
Closing balance	903,082	104,954
Total	6,125,686	620,390

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Current liabilities & Provisions		
Sundry creditors for expenses	1,526	97
Redemption Payable	55,472	877
TDS Payable	18	3
Contracts for purchase of investments	-	-
Provisions*	70	-
Total	57,086	977

* The Provision referred above is towards TDS payable on Custodian fees.

NATIONAL PENSION SYSTEM TRUST**NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER II****Schedules forming part of the financial statements****Schedule 4: Investments (Long Term and Short Term)****(In ₹)**

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Central and state government securities (including treasury bills)	22,733,035	2,866,344
Others - Mutual funds	292,000	50,000
Total	23,025,035	2,916,344

Schedule 5: Deposits**(In ₹)**

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Deposits with scheduled banks	-	-
Total	-	-

Schedule 6: Other current assets**(In ₹)**

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Balances with banks in current account	688	512
Contracts for sale of investments	-	-
Outstanding and accrued income	429,487	43,801
Application money pending allotment	152,000	-
Total	582,175	44,313

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, 2016

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/installment 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.

1.8 Trustee fees

The Company has started charging Trustee fee of 0.01% per annum, with effect from November 01, 2015 in terms of the National Pension Scheme Trust circular no. 1/20/2015/NPS dated October 19, 2015.

1.9 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.

2 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.

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

Notes to accounts

2.1 Contingent liabilities

(In ₹)

Particulars	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Uncalled liability on partly paid shares	NIL	NIL
Other commitments	NIL	NIL

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
Mr. Fagun Pancholi	Key Management Personnel
Mr. Nagesh Pai	Key Management Personnel

The following represents significant transactions between the Company and its related parties for the year ended March 31, 2016

(In ₹)

Nature of Transaction	For the year ended March 31, 2016	For the year ended March 31, 2015
	Amount	Amount
Investment management fees	1,155	607

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	As at March 31, 2016	As at March 31, 2015
	Amount	Amount
Investment management fees payable	463	49

Aggregate investments made in the Associates and group companies as at March 31, 2016 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2016		As at March 31, 2015	
		Cost	Market Value	Cost	Market Value
HDFC Ltd		NIL	NIL	NIL	NIL

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, 2016 are as follows:

(In ₹)

Name of the Company	Asset type	As at March 31, 2016		As at March 31, 2015	
		Cost	Market Value	Cost	Market Value
HDFC Bank Ltd		NIL	NIL	NIL	NIL

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, 2016 is as follows :

(In ₹)

Particular	For the year ended March 31, 2016	For the year ended March 31, 2015
Average Net Asset Value	10,118,015	1,219,242
Purchase of Investment	57,524,289	8,353,755
% to average Net Assets Value	569.00%	685.00%
Sale of Investment	37,196,026	5,815,551
% to average Net Assets Value	368.00%	477.00%

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, 2016 is as follows :

(In ₹)

Particular	For the year ended March 31, 2016	For the year ended March 31, 2015
Average Net Asset Value	10,118,015	1,219,242
Purchase of Investment	21,256,590	2,630,054
% to average Net Assets Value	210.00%	216.00%
Sale of Investment	1,158,431	121,206
% to average Net Assets Value	11.00%	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:

(In ₹)

Industry Classification	As at March 31, 2016		As at March 31, 2015	
	Market value	% of Industry Classification	Market value	% of Industry Classification
Central Government Securities	22,122,567	93.94%	2,866,344	96.85%
State Development Loans	610,468	2.59%	-	0.00%
Mutual Funds	292,000	1.24%	50,000	1.69%
Net Current Assets	525,089	2.23%	43,336	1.46%
Net Asset Value	23,550,124	100.00%	2,959,680	100.00%

Note : Industry classification has been taken at sub class level of National Industrial Classification (NIC) 2008.

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

(In ₹)

Security Name	Asset Type	Ageing	As at March 31, 2016	As at March 31, 2015
Birla Sun Life Cash Plus - Growth - Direct Plan	Liquid Mutual Funds	Less than 7 Days	152,000	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

The wholly-owned subsidiary of HDFC Life, HDFC Pension Management Company Limited, is engaged in the business of management of private sector pension funds under the National Pension System, to which HDFC Life acts as the Sponsor. The Company has been in the business from August 2013. However, In January 2014, a fresh Request for Proposal ('RFP') was floated by the PFRDA seeking bids from Sponsors for selection of pension fund managers afresh to manage the pension funds. In response to the RFP, HDFC Life ('the Sponsor') had submitted its technical and commercial bid. 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. The Sponsor, 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. 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 therefore filed another Writ Petition before the Hon'ble High Court of Delhi against the rejection. Vide its Order dated December 18, 2014 the Hon'ble High Court of Delhi quashed and set aside the PFRDA's 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, by its Order dated March 9, 2015, refused to grant the PFRDA any ad-interim relief and the matter is presently pending hearing. On March 27, 2015, complying with the High Court order, the PFRDA had 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. The Company has obtained an opinion from its lawyers, as per which the Company stands a fairly good chance of succeeding in the matter.

It may be noted that the PFRDA (Pension Fund) Regulations, 2015 were notified in May 2015, pursuant to which re-registration of all pension funds was sought by the PFRDA. HDFC Pension has submitted its application for the same, and a revert from the PFRDA is awaited.

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

3. PORTFOLIO STATEMENT AS ON YEAR ENDED MARCH 31, 2016

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Government Securities	8.13% GOI MAT 22-Jun-2045	33,000	3,380,850	14.36%
	8.17% GOI MAT 01-Dec-2044	30,200	3,101,540	13.17%
	8.40% GOI Mat 28-JUL-2024	20,600	2,139,104	9.08%
	9.20% GOI Mat 30-Sep-2030	17,700	1,957,620	8.31%
	9.23% GOI MAT 23-Dec-2043	15,800	1,794,880	7.62%
	7.88%GOI 19March2030	14,400	1,445,688	6.14%
	8.60% GOI MAT 2JUN2028	13,300	1,407,539	5.98%
	8.83% GOI MAT 25 Nov 2023	12,200	1,294,420	5.50%
	8.30% GOI MAT 02-July-2040	9,900	1,027,620	4.36%
	8.30% GOI Mat 31-Dec-2042	8,000	830,800	3.53%
	8.15% GOI Mat 24-Nov-2026	5,700	584,991	2.48%
	8.28% GOI Mat 15-Feb-2032	5,600	576,153	2.45%
	8.32% GOI Mat 02-Aug-2032	4,900	507,009	2.15%
	8.24% GOI MAT 10 Nov 2033	4,800	492,960	2.09%
	8.24% GOI MAT 15 Feb 2027	3,600	372,313	1.58%
	7.73% GOI Mat 19-Dec-2034	3,500	345,730	1.47%
	8.83% GOI Mat 12-Dec-2041	3,000	328,020	1.39%
	8.28% GOI Mat 21-Sep-2027	2,000	207,100	0.88%
	8.26% GOI Mat 02-Aug-2027	1,100	113,793	0.48%
	8.12% GOI Mat 10-Dec-2020	1,100	112,533	0.48%
8.20% GOI Mat 24-Sep-2025	600	61,668	0.26%	
7.95% GOI Maturity 28-Aug-2032	400	40,236	0.17%	
Government Securities Total		211,400	22,122,567	93.94%
State Development Loans	8.44% Tamil Nadu SDL Mat 26-Nov-2024	6,000.00	610,468.00	2.59%
State Development Loans Total		6,000	610,468	2.59%
Mutual Fund Units	Birla Sun Life Cash Plus - Growth - Direct Plan	1,201.26	292,000	1.24%
Mutual Fund Units Total		1,201	292,000	1.24%
Net Current Assets		-	525,089	2.23%
Grand Total		218,601	23,550,124	100.00%

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

3.1 KEY STATISTICS FOR THE YEAR ENDED MARCH 31, 2016

Sr No	Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
1	NAV per unit (₹) I		
	Open	12.6520	10.5917
	High	13.5155	12.6719
	Low	12.4358	10.4217
	End	13.5155	12.6520
2	Closing Assets Under Management (₹ in Lakhs)		
	End	235.50	29.60
	Average daily net assets (AAuM) II	101.18	12.19
3	Gross income as % of AAuM III	9.36%	16.83%
4	Expense ratio		
a	Total expense as % of AAuM (scheme wise) IV	0.03%	0.06%
b	Management fee as % of AAuM (scheme wise) V	0.01%	0.05%
5	Net income as % of AAuM VI	9.26%	16.77%
6	Portfolio turnover ratio VII	11.45%	9.94%
7	Total dividend per unit distributed during the period	N.A.	N.A.
8	Returns: (%)		
a	Last one year	6.83%	19.45%
	Benchmark	7.26%	20.08%
b	Since inception	35.16%	26.52%
	Benchmark	31.10%	22.23%
c	Compound annualised yield (%) VIII		
	Last 1 year	6.83%	19.45%
	Last 2 year	12.96%	N.A.
	Last 3 year	N.A.	N.A.
	Since launch of the scheme	11.96%	15.19%
	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)		