



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 A TIER I

SCHEME A TIER II

SCHEME NPS LITE

ANNUAL REPORT 2017-18

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HDFC Pension Management Company Limited ('HDFC Pension') presents its Fifth Annual Report along with the audited financial statements of the Schemes for the year ended March 31, 2018.

During the year ending March 31, 2018, 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 A Tier I - Alternative Investment funds
- Scheme A Tier II - Alternative Investment funds
- Scheme NPS Lite

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

The Asset under Management as at March 31, 2018 of all the schemes collectively was ₹ 2,56,032.96 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 414 offices as at March 31, 2018. At March 31, 2018 the Sponsor has 17,609 employees and 77,048 advisors and is thus well equipped to cater to the needs of customers.

As at March 31, 2018, the Share capital of the Sponsor stands at ₹ 28 Crores.

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 Company is a wholly owned subsidiary of HDFC Standard Life Insurance Company Ltd. and has been a licensed pension fund manager since 2013. In 2014, the Pension Fund Regulatory & Development Authority (‘PFRDA’) issued a Request for Proposal (‘RFP’) inviting bids from Sponsors to select new pension fund managers. The bid of HDFC Life to this RFP was rejected by the PFRDA on the ground that it did not meet certain eligibility criteria under the RFP. The Hon^{ble} Delhi High Court, however, set aside the rejection, directing the PFRDA to grant a Letter of Appointment to HDFC Life thereby allowing the Company to continue its business. While the PFRDA issued a letter of appointment to HDFC Life, it also challenged the Hon^{ble} High Court’s decision before the Hon^{ble} Supreme Court of India by way of a Special Leave Petition (‘SLP’). The Hon^{ble} Supreme Court, by its order dated July 31, 2017, has dismissed the PFRDA’s SLP and refused to interfere with the Hon^{ble} High Court’s decision. Accordingly, the Letter of Appointment issued to HDFC Life stands unqualified, with the appointment of HDFC Pension as a pension fund manager being confirmed.

BASIS AND POLICY OF INVESTMENTS

Investment Policy

The Investment Policy of 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 Investment Committee of the Board of Directors and 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 (presently Stock Holding Corporation of India Limited), 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 the 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 from the preapproved investment universe with the objective of achieving portfolio returns better than the returns generated by the benchmark index.

Brief details of investment in various Schemes are as under:

Scheme E: The funds under Scheme E are managed actively with the stock universe prescribed by PFRDA & Investment Committee. Our strategy is to construct a model portfolio from the approved universe of stocks with the objective of beating the returns generated by 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.

Scheme A: The funds under Scheme A are invested in Alternate Investment Funds (AIF), Real Estate Investment Trust (REITs), Mortgage Backed Securities (MBS), Infrastructure Investment Trusts (InvITs) as per the scheme objective.

ECONOMIC SCENARIO

Financial Year 2017-18 (FY2018) was an eventful year for Indian debt and equity markets, from the perspective of global and domestic events. Implementation of GST, synchronized global growth, rising interest rates, PSU bank recapitalization, financial fraud at PNB and the unorthodox policy of US under President Trump were the key highlights of the year.

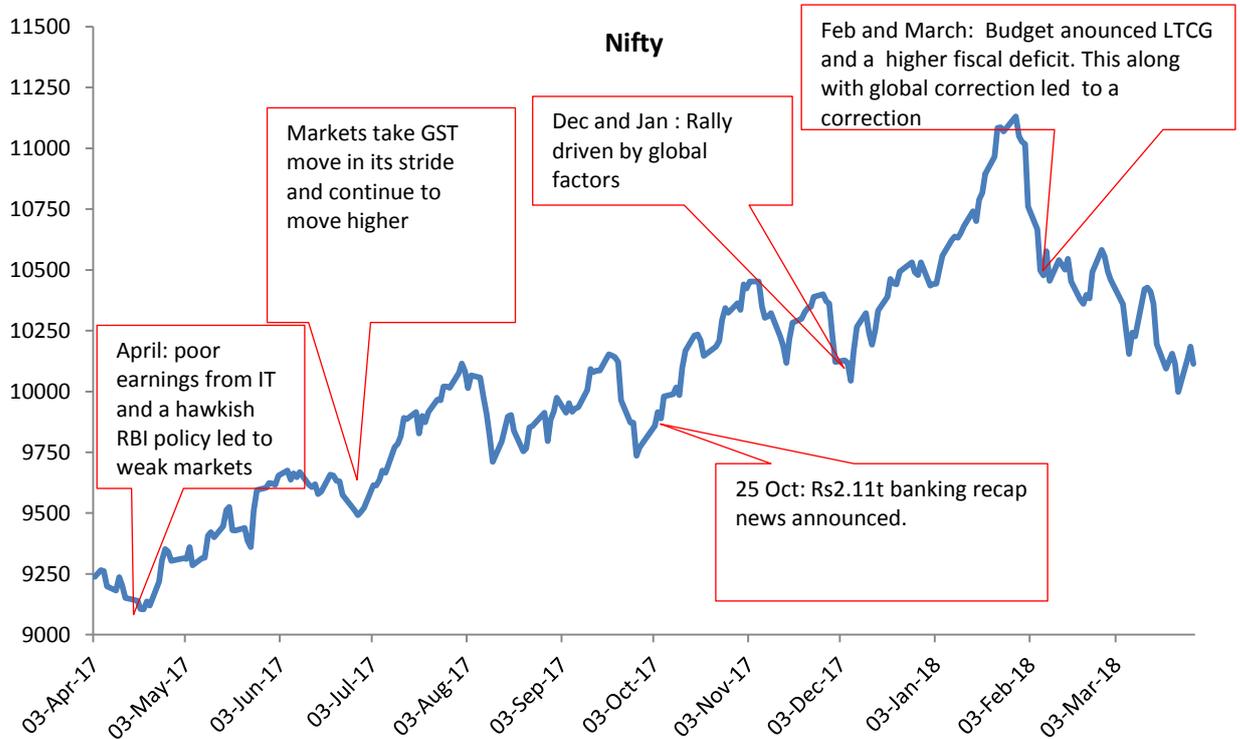
India's economic growth slowed to a multi-year low of 5.7% in the first quarter of the year due to the dislocations caused by the introduction of GST. Growth picked in the subsequent quarters to 6.2% and 7.2%. CPI Inflation also set a new low at 1.46% during the initial part of the year and normalized thereafter to 4.4% in February 2018. Trade deficit saw a significant deterioration during the Apr-Feb 2018 period rising to USD 149bn, 52% higher than USD98bn of trade deficit during the same period Apr-Feb 2017, and 41% higher than the full year FY2017 trade deficit of USD106bn, largely led by the rise in crude oil prices.

Market volatility was low through most of the year but the last few months saw an increase in volatility across financial markets globally, led by fears of a more aggressive rate hike cycle in the US and escalating threats of a global trade war. Major global markets like Hang Seng, Dow Jones and Nasdaq rallied and peaked in January-2018 before giving up some gains and ending FY18 with a gain of about 25%, 17% and 20% respectively. Indian equity markets, too, followed suit helped by a sharp rise in domestic inflows into equities. Domestic institutions invested around USD17bn in market during the year, which provided strength to the market despite subdued FIIs flows. While weak market sentiments and valuation concerns came to the fore in the last quarter of the year, the Indian equity markets gave a double digit returns for the year.

Globally, a synchronous economic recovery across all major geographies was seen for the first time since 2011. The pickup in global growth helped major economies move closer to their inflation targets and reduce unemployment. The pickup in global growth had a positive impact on equity markets. The improvement in the economies also spurred the major central banks to move away from the ultra loose monetary policy, which they have been running for almost a

decade. This move, away from loose monetary policy led to bond yields moving higher globally, with US 10 year yields moving from 2.39% to 2.75%. The Indian benchmark 10 year yield moved up from 6.68% to 7.40% during the financial year as concerns around fiscal slippage, inflation and demand-supply mismatch dominated.

Equity: Jitters after a strong run



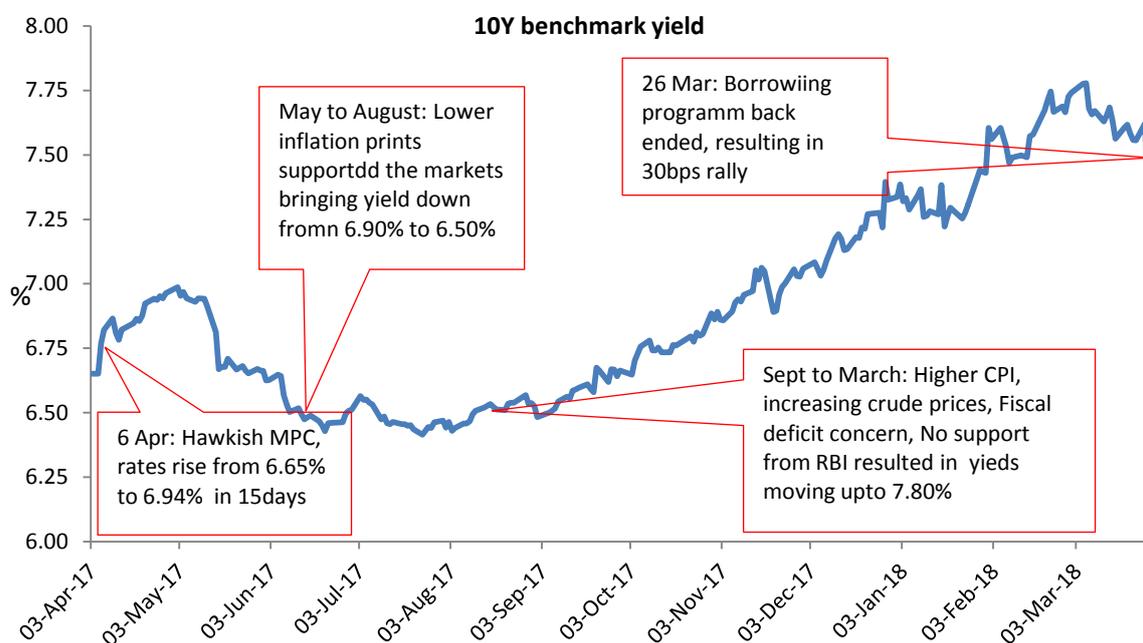
The large drivers for the equity markets during the year were the implementation of the Goods and Service Tax (GST) and an improvement in the earnings growth for companies. The equity markets largely reacted positively to the implementation of GST on the back of the expectations of further formalization of the economy. The pick-up in the companies' earnings growth also proved to be fortuitous for the markets as they were driven by a rebound in economic activity after a GST implementation induced slowdown.

The banking sector saw two important measures by the government – the Rs 2.11 trillion PSU bank recapitalization and further progress in the implementation of the bankruptcy law. While the recap amount was a positive surprise for the market, the progress of the cases referred to the NCLT have raised hopes of a faster resolution of the stressed assets of the banks.

The equity markets gave up a part of the gains for the year in the last 2 months of the year, primarily on the back of fears of global trade wars emerging on the back of US decision to impose punitive tariffs on imports from China, the government's decision to introduce long term capital gains tax on equity investments and the government's deviating from its fiscal deficit targets.

Indices	FY18 returns
S&P BSE Sensex Index	11.3%
Nifty 50 Index	10.2%
NSE 100 Index	10.7%
S&P BSE MidCap Index	13.2%
S&P BSE SmallCap Index	17.7%

Debt: A Roller coaster year



FY 2017-18 started on a neutral note, as the RBI maintained a cautious stance on monetary policy due to upside concerns on inflation emanating from the rollout of GST, implementation of HRA under the 7th CPC, and uncertainty over monsoon rains.

However, yields softened significantly from May to August driven by record low retail inflation print and anticipation of normal monsoon further reducing inflation risk. Comfortable liquidity and positive market sentiment led the yield of the 10 Yr benchmark to reach its lowest level at 6.41% in July 2017. The sharp fall in inflation (CPI for the month of June eased to a fresh low of 1.46%) led to a rate cut from RBI in August, though the monetary policy stance continued to be neutral.

Market sentiment turned around after September as the macroeconomic fundamentals reversed during the second half of the year. RBI drained the surplus systemic liquidity via

regular OMO sales. CPI inflation picked up in the second half, partly driven by base effects as well as an increase in oil and other commodity prices.

Concerns on the Government's Fiscal position also came to the fore due to lower than expected GST collections, lack of clarity on nature and timelines of recapitalisation bond issue and a close finish in Gujarat election increasing the expectation of a populist budget.

The fiscal fears came true, in the Budget, as the Finance Minister projected a deficit of 3.5% for FY18 (against 3.2% estimated earlier) and 3.3% for FY19 (against 3.0% target set earlier). With the government deviating from the fiscal roadmap, uncertainty regarding the MPC's stance also intensified.

Bond yields rose sharply during the second half of the year, with the 10-year benchmark trading at a high of 7.80% in February. Yields retraced from the highs in March, as inflation surprised positively and the Government also unveiled a lower borrowing for the first half of the next Financial Year. The 10Y benchmark bond yield ended the year at 7.39% compared to 6.65% at the start of the year. This has adversely affected returns for fixed income schemes during the year.

Outlook:

Equity

Despite the rise in volatility, there is a cause for optimism in the Indian economy. Initial signs of recovery are visible from an improvement in leading indicators like auto sales, cement dispatches, steel production, consumption of petrol and diesel, electricity production, etc. This is also reflected in the recently released IIP data and Manufacturing PMI. Services PMI, however, has been more volatile. These improvements augur well for a pick-up in corporate earnings.

Metal commodity prices have remained firm thanks to production cut discipline in China. However, imposition of import tariffs by the US, potentially followed by retaliatory actions by impacted nations, clouds the outlook. Oil prices, as expected, have cooled off a bit as the rising shale output has counterbalanced production cuts by OPEC. Oil prices remain an important variable from India macro stability point of view.

The bankruptcy resolution process has made some progress with a few cases having been resolved. With recapitalization of PSU banks, it was expected that banks will finally be able to provide for the haircuts and the outlook thereafter would be good. However, the recent fraud involving PNB has altered the scenario resulting in quite a few PSU banks yet again likely falling short on the capital front.

After the imposition of Long Term Capital Gains (LTCG) in the budget, there have been concerns on flow of money into equity funds. The net inflows in February held up though March

numbers saw some slowdown. However, it's too early to call a trend and this remains an important variable to watch. Given the election heavy calendar and rising bonds yields globally, FIIs inflow/outflow will also have a bearing on the overall liquidity conditions in the equity markets.

Despite the uncertainty in the short term, we believe that the medium term outlook of the Indian economy and consequently the equity markets is quite good. As the benefits of GST and cleanup of bank balance sheets start becoming clear, we should see an improvement in growth indicators. Indian market valuations at 18x FY19 earnings, are at a slight premium to historical mean levels. But given that we expect a cyclical recovery going ahead, these multiples should not be considered as expensive. Earnings estimates for most of the companies are on a positive trajectory. We continue to remain optimistic from a medium to long term point of view, despite our near term concerns. We believe that any correction in equity markets this year, could provide opportunity to buy quality companies at reasonable valuations.

Debt

The current global macroeconomic backdrop has been characterized by a synchronous pick-up in growth across the large economies and a virtuous cycle of increasing employment and consumption. Inflation, though, has been relatively muted. However, the higher growth has spurred the respective monetary authorities to tighten monetary policies by raising interest rates or reducing the liquidity stimulus they had provided over the past years. Bond yields have hardened over the course of the last year.

On the domestic front too, growth is picking up. Inflation, too, has risen from the extreme low level seen last year, though there are no signs of a generalized spread of price pressures as yet. There is still a reasonable amount of spare supply potential in the economy to accommodate growth without giving rise to any price pressures. Food prices, the other large determinant of inflation, is likely to remain contained, though the Government's steps on increasing agriculture MSPs ahead of key elections later in the year, could tilt the balance towards higher prices.

We expect that RBI will maintain status quo on rates for a prolonged period, to support the nascent recovery in growth, and as inflation is likely to stay contained within its mandated range.

We believe that the debt market appears to have factored in most of the negative outcomes and risk-reward ratio looks favourable. In this scenario, bond yields are likely to trade within a range. At current yield levels, the markets have already discounted 1 – 2 rate hikes over the year. Hence, further upside in yields seems capped for the near future. However, the latter part of the year may turn challenging. The Government's commitment to fiscal prudence and the path of oil prices will determine the direction and path of bond yields.

RBI's tools to manage liquidity either through OMO/LAF/TERM REPO will be one of the key driver for interest rates at the short end of the curve. The government's commitment to fiscal prudence, the global liquidity moves and bond yields will be the dominant themes in FY19 as well.

SCHEME PERFORMANCE AND OPERATIONS

SCHEME E TIER I - Equity market instruments

Investment Objective

Investment objective is to optimise returns while investing in prescribed investment universe 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 TRI Index.

The performance of Scheme E Tier I at March 31, 2018 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) #
1 Year	11.48%	12.09%
2 Years	17.08%	16.40%
3 Years	8.25%	7.59%
Since inception @	15.49%	14.69%

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

Benchmark index: NIFTY 100 TRI

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 TRI effective from October 01, 2015. hence since inception and 3 Years returns is not comparable with Benchmark returns. The benchmark return mentioned above represents the return of existing scheme benchmark, which is Nifty 100 TRI .

@ Date of Inception: August 01, 2013

AUM and Asset Mix

The net assets of the Scheme at March 31, 2018 stood at ₹ 99,812.87 lakhs

At March 31, 2018, 96.11% of the net assets were invested in Equity Shares and 3.89% in money market instruments and cash/cash equivalent & net current assets.

SCHEME E TIER II - Equity market instruments

Investment Objective

Investment objective is to optimise returns while investing in prescribed investment universe over a rolling annual basis.

Scheme Performance against Benchmark

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

The performance of Scheme E Tier II at March 31, 2018 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) # \$
1 Year	11.77%	12.09%
2 Years	17.39%	16.40%
3 Years	8.56%	7.59%
Since inception @	11.98%	14.69%

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

Benchmark index: NIFTY 100 TRI

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 TRI effective from October 01, 2015, hence since inception and 3 Years returns is not comparable with Benchmark returns. The benchmark return mentioned above represents the return of existing scheme benchmark, which is Nifty 100 TRI.

@ Date of Inception: August 01, 2013

\$ 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. As per then prevailing fund objective of Tier II Scheme E, the fund could only invest in equity securities through Nifty 50 Index basket. There was a minimum threshold amount for investment in Nifty 50 basket and till the time investable amount reaches the threshold, it was invested temporarily in liquid and money market schemes of mutual funds. Due to small size of the fund this has affected the fund performance. Hence, Fund performance since inception of the scheme is not comparable with the benchmark.

AUM and Asset Mix

The net assets of the Scheme at March 31, 2018 stood at ₹ 3,311.26 lakhs.

At March 31, 2018, 96.27% of the net assets were invested in Equity Shares and 3.73% 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 Scheme C Tier I at March 31, 2018 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) #
1 Year	6.37%	5.35%
2 Years	9.25%	8.77%
3 Years	9.23%	8.61%
Since inception @	10.70%	10.32%

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

Benchmark index: NPS - Corporate Bond Index

@ Date of Inception: August 01, 2013

AUM and Asset Mix

The net assets of the Scheme at March 31, 2018 stood at ₹ 63,699.08 lakhs.

At March 31, 2018, 95.43% of the net assets were invested in bonds and non-convertible debentures and 4.57% in money market instruments and cash/cash equivalent & net current assets.

SCHEME C TIER II - Credit risk bearing fixed income instruments

Investment Objective

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

Scheme Performance against Benchmark

The performance of Scheme C Tier II at March 31, 2018 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) # \$
1 Year	6.65%	5.35%
2 Years	9.45%	8.77%
3 Years	9.28%	8.61%
Since inception @	9.34%	10.32%

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

Benchmark index: NPS - Corporate Bond Index

@ Date of Inception: August 01, 2013

\$ 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 Corporate Bonds and till the time investable amount reaches this threshold, it is invested temporarily in liquid and money market schemes of mutual funds. Due to small size of the fund this has affected the fund performance. Hence, Fund performance since inception of the scheme is not comparable with the benchmark.

AUM and Asset Mix

The net assets of the Scheme at March 31, 2018 stood at ₹ 2,558.69 lakhs.

At March 31, 2018, 94.24% of the net assets were invested in bonds and non-convertible debentures and 5.76% 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 Scheme G Tier I at March 31, 2018 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) #
1 Year	4.59%	3.50%
2 Years	8.34%	7.62%
3 Years	7.82%	7.62%
Since inception @	9.87%	9.29%

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

Benchmark index: NPS – Government Securities Index

@ Date of Inception: August 01, 2013

AUM and Asset Mix

The net assets of the Scheme at March 31, 2018 stood at ₹ 84,120.51 lakhs.

At March 31, 2018, 96.28% of the net assets were invested in government securities and 3.72% in money market instruments and cash/cash equivalent & net current assets.

SCHEME G TIER II - Government securities

Investment Objective

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

Scheme Performance against Benchmark

The performance of Scheme G Tier II at March 31, 2018 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) #
1 Year	4.70%	3.50%
2 Years	8.34%	7.62%
3 Years	7.84%	7.62%
Since inception @	10.40%	9.29%

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

Benchmark index: NPS – Government Securities Index

@ Date of Inception: August 01, 2013

AUM and Asset Mix

The net assets of the Scheme at March 31, 2018 stood at ₹ 2,327.77 lakhs.

At March 31, 2018, 95.45% of the net assets were invested in government securities and 4.55% in money market instruments and cash/cash equivalent & net current assets.

SCHEME A TIER I - Alternative Asset Class

Investment Objective

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

Scheme Performance against Benchmark

The performance of Scheme A Tier I at March 31, 2018 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) #
1 Year	9.21%	N.A.
2 Years	N.A.	N.A.
3 Years	N.A.	N.A.
Since inception @	8.22%	N.A.

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

Benchmark index: As per fund objective of Scheme A, the fund is mandated to invest in Commercial/Residential mortgage based securities, Units issued by REITs, Alternative Investment Funds, Units issued by InvITs, Asset backed securities, etc. and for that there is no comparable market benchmark is available and hence benchmark returns are not disclosed for this fund.

@ Date of Inception: October 10, 2016

AUM and Asset Mix

The net assets of the Scheme at March 31, 2018 stood at ₹ 202.78 lakhs.

At March 31, 2018, 69.61% of the assets were invested in Asset Backed, Trust Structured and Miscellaneous Investments and 30.39% in money market instruments and cash/cash equivalent & net current assets.

SCHEME A TIER II - Alternative Asset Class

Pursuant to directions given by the PFRDA vide circular No PFRDA/2017/PF/2 dated May 04, 2017, the scheme was closed on June 16, 2017 and all assets were transferred to Scheme A Tier I. Scheme doesn't hold any assets/investment as on March 31, 2018.

SCHEME NPS LITE

During the period ended March 31, 2018, 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.

2. 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 prescribed universe of stocks over a rolling annual basis.
2	SCHEME E TIER II	The investment objective is to optimise returns while investing in the prescribed universe of stocks 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.
7	SCHEME A TIER I	The investment objective is to optimise returns by investing in the chosen asset class.
8	SCHEME A TIER II	The investment objective is to optimise returns by investing in the chosen asset class.

3. 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 under 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.

4. 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
 - g) SCHEME A TIER I - Alternate Investment funds
 - h) SCHEME A TIER II - Alternate Investment funds
-

Internal Auditors' 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 Majithia & Associates
Chartered Accountants
Firm Reg. No. 105871W



Neel Majithia
Partner
M. No. 122626
Mumbai April 09, 2018

MAJITHIA & ASSOCIATES
CHARTERED ACCOUNTANTS

Suite No. 301 to 304, Metro Avenue
Pereira Lane, Opp. Cinemax &
Gurunank Petrol Pump, Near Magic
Bricks WEH Metro Station,
Andheri (E), Mumbai – 400 099
Tel : 022 2839 2805 / 5585
Mob. : +91 93226 71692

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 June 2017, September 2017, December 2017 and the proxy 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 March 31, 2018 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.

We hereby certify that the Company has complied with the procedure for exercise of voting rights and submission of periodic reports effective quarter ended June 2017, September 2017, December 2017, March 2018, as required under the Circular, to the NPS Trust for the Financial Year 2017-18.

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 Majithia & Associates
Chartered Accountants
Firm Reg. No. 105871W



Neel Majithia
Partner

M. No. 122626

Mumbai, April 09, 2018

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, 2018

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, 2018 and the Revenue Account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment or the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in

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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 ❖ TIRUPATI

T R Chadha & Co LLP

Chartered Accountants

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Lower Parel, Mumbai – 400 013
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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, 2018;
- b) in the case of the Revenue Account, of the surplus of the Scheme for the year ended on that date:

Report on Other Legal and Regulatory Requirements

7. 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 of our knowledge and belief were necessary for the purpose of the audit.
- b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
- c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
- d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
- e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA.

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T R Chadha & Co LLP

Chartered Accountants

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Off. Ganpatrao Kadam Marg
Opp. Peninsula Corporate Park
Lower Parel, Mumbai – 400 013
Tel.: 022-49669000
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8. 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: Mumbai
Date:

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

NATIONAL PENSION SYSTEM TRUST

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

BALANCE SHEET AS AT MARCH 31, 2018

(In ₹)

Particulars	Schedule	Scheme E Tier I	
		March 31, 2018	March 31, 2017
Liabilities			
Unit Capital	1	5,098,627,559	2,657,539,445
Reserves & Surplus	2	4,882,659,427	2,009,174,248
Current Liabilities and Provisions	3	155,521,073	113,752,016
Total		10,136,808,059	4,780,465,709
Assets			
Investments	4	10,124,476,506	4,711,089,458
Deposits	5	-	-
Other Current Assets	6	12,331,553	69,376,251
Total		10,136,808,059	4,780,465,709
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		9,981,286,986	4,666,713,693
(b) Number of units outstanding		509,862,756	265,753,944
(c) NAV per unit (a)/(b) (₹)		19.5764	17.5602
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 16, 2018

For and on Behalf of NPS Trust

Ashvin Parekh
(Chairman, NPS Trust Board)

(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, 2018

(In ₹)

Particulars	Schedule	Scheme E Tier I	
		March 31, 2018	March 31, 2017
Income			
Dividend		92,049,820	35,746,148
Profit on sale/redemption of investments		139,840,738	59,571,085
Unrealised gain on appreciation in investments		309,190,267	480,830,318
Total Income (A)		541,080,825	576,147,551
Expenses & Losses			
Loss on sale/redemption of investments		13,296,125	21,779,281
Management fees (including Goods and Service tax/Service tax)		828,212	296,451
NPS Trust fees		705,204	257,902
Custodian fees		218,008	95,391
CRA fees		11,709,661	9,961,477
Less : Amount recoverable on sale of units on account of CRA Charges		(11,709,661)	(9,961,477)
Depository and settlement charges		37,952	12,998
Total Expenditure (B)		15,085,501	22,442,023
Surplus/(Deficit) for the year (A-B = C)		525,995,324	553,705,528
Less: Amount transferred to Unrealised appreciation account		(309,190,267)	(480,830,318)
Less: Amount transferred to General Reserve		(216,805,057)	(72,875,210)
Amount carried forward to Balance Sheet		-	-
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

Place : Mumbai

Date :

Date : April 16, 2018

For and on Behalf of NPS Trust

Ashvin Parekh
(Chairman, NPS Trust Board)

(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	Scheme E Tier I	
	March 31, 2018	March 31, 2017
Initial capital		
Unit capital		
Outstanding at the beginning of the year	2,657,539,445	1,034,914,608
Add :Units issued during the year	2,704,705,106	1,701,282,818
Less: Units redeemed during the year	(263,616,992)	(78,657,981)
Outstanding at the end of the year	5,098,627,559	2,657,539,445
(Face Value of Rs.10/- each unit, fully paid up)		
Outstanding units at the beginning of the year	265,753,944	103,491,461
Add :Units issued during the year	270,470,511	170,128,282
Less: Units redeemed during the year	(26,361,699)	(7,865,798)
Outstanding Units at the end of the year	509,862,756	265,753,944

Schedule 2: Reserves and surplus

(In ₹)

Particulars	Scheme E Tier I	
	March 31, 2018	March 31, 2017
Unit premium reserve		
Opening balance	1,443,574,386	431,174,730
Add: Premium on Units issued	2,599,076,957	1,061,279,398
Less: Premium on Units redeemed	(251,587,102)	(48,879,742)
Add: Transfer from General Reserve	-	-
Closing balance	3,791,064,241	1,443,574,386
General Reserve		
Opening balance	83,355,038	10,479,828
Add/(Less): Transfer from/(to) Revenue Account	216,805,057	72,875,210
Less: Transfer to Unit Premium Reserve	-	-
Closing balance	300,160,095	83,355,038
Unrealised Appreciation Reserve		
Opening balance	482,244,824	1,414,506
Add: Adjustment for Previous years unrealised appreciation reserve	-	-
Add/(Less): Transfer from /(to) Revenue Account	309,190,267	480,830,318
Closing balance	791,435,091	482,244,824
Total	4,882,659,427	2,009,174,248

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	Scheme E Tier I	
	March 31, 2018	March 31, 2017
Current liabilities & Provisions		
Sundry creditors for expenses	572,316	320,594
Redemption Payable	5,490,932	3,950,652
TDS Payable	10,907	4,663
Contracts for purchase of investments	149,446,918	109,476,107
Total	155,521,073	113,752,016

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	Scheme E Tier I	
	March 31, 2018	March 31, 2017
Equity shares	9,593,123,329	4,513,682,458
Others - Mutual Fund Units	531,353,177	197,407,000
Total	10,124,476,506	4,711,089,458

Schedule 5: Deposits**(In ₹)**

Particulars	Scheme E Tier I	
	March 31, 2018	March 31, 2017
Deposits with scheduled banks	-	-
Total	-	-

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

Particulars	Scheme E Tier I	
	March 31, 2018	March 31, 2017
Balances with bank in current account	185,261	25,728
Contracts for sale of investments	-	4,497,520
Brokerage receivable from PFM	44,816	15,235
Application money pending allotment	11,791,000	162,000
Dividend receivable	310,476	1,511,132
Sundry Debtors	-	63,164,636
Total	12,331,553	69,376,251

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, 2018

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 and Karvy Computershare Pvt.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), Karvy Computershare Pvt.Ltd 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 year end 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 eight separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C, G and A 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

Scheme A – Alternate Investment funds

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 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 closing 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	Scheme E Tier I	
	March 31, 2018	March 31, 2017
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, 2018

(In ₹)

Nature of Transaction	Scheme E Tier I	
	March 31, 2018	March 31, 2017
Investment management fees	828,212	296,451

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	Scheme E Tier I	
	March 31, 2018	March 31, 2017
Investment management fees payable	253,789	100,177

Aggregate investments made in the Associates and group companies as at March 31, 2018 are as follows:

(In ₹)

Name of the Company	Asset type	Scheme E Tier I			
		March 31, 2018		March 31, 2017	
		Cost	Market Value	Cost	Market Value
HDFC Ltd	Equity	23,231,909	35,496,966	23,231,909	29,206,832

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, 2018 are as follows:

(In ₹)

Name of the Company	Asset type	Scheme E Tier I			
		March 31, 2018		March 31, 2017	
		Cost	Market Value	Cost	Market Value
HDFC Bank Ltd	Equity	349,035,618	451,215,475	155,882,296	191,781,252

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, 2018 is as follows :

(In ₹)

Particular	Scheme E Tier I	
	March 31, 2018	March 31, 2017
Average Net Asset Value	7,052,038,659	2,579,013,475
Purchase of Investment	73,801,750,922	27,912,726,734
% to average Net Assets Value	1046.53%	1082.30%
Sale of Investment	68,822,215,898	25,196,508,695
% to average Net Assets Value	975.92%	976.98%

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, 2018 is as follows :

(In ₹)

Particular	Scheme E Tier I	
	March 31, 2018	March 31, 2017
Average Net Asset Value	7,052,038,659	2,579,013,475
Purchase of Investment	5,479,541,681	3,310,106,733
% to average Net Assets Value	77.70%	128.35%
Sale of Investment	814,869,565	731,761,842
% to average Net Assets Value	11.56%	28.37%

*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	Scheme E Tier I			
	March 31, 2018		March 31, 2017	
	Market value	% of Industry Classification	Market value	% of Industry Classification
Monetary intermediation of commercial / saving / postal banks	2,413,960,187	24.18%	1,257,046,692	26.94%
Computer programming, consultancy and related activities	864,861,775	8.66%	425,817,037	9.12%
Manufacture of refined petroleum products	792,547,256	7.94%	319,483,990	6.85%
Manufacture of passenger cars	649,912,907	6.51%	339,928,262	7.28%
Manufacture of cigarettes, cigarette tobacco	481,174,208	4.82%	323,846,288	6.94%
Construction of Utility Projects	450,012,307	4.51%	235,631,813	5.05%
Others	3,940,654,689	39.48%	1,611,928,376	34.54%
Mutual Funds	531,353,177	5.32%	197,407,000	4.23%
Net Current Assets	-143,189,520	-1.43%	-44,375,765	-0.95%
Net Asset Value	9,981,286,986	100.00%	4,666,713,693	100.00%

Note :

1. 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	Scheme E Tier I	
			March 31, 2018	March 31, 2017
ICICI Prudential Liquid - Direct Plan - Growth.	Liquid Mutual Fund	Less than 7 Days	11,791,000	162,000

2.8 Prior Year Comparatives :

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

2.9 Note on status of litigation matters with PFRDA

The Company is a wholly owned subsidiary of HDFC Standard Life Insurance Company Ltd. and has been a licensed pension fund manager since 2013. In 2014, the Pension Fund Regulatory & Development Authority ("PFRDA") issued a Request for Proposal ("RFP") inviting bids from Sponsors to select new pension fund managers. The bid of HDFC Life to this RFP was rejected by the PFRDA on the ground that it did not meet certain eligibility criteria under the RFP. The Hon'ble Delhi High Court, however, set aside the rejection, directing the PFRDA to grant a Letter of Appointment to HDFC Life thereby allowing the Company to continue its business. While the PFRDA issued a letter of appointment to HDFC Life, it also challenged the Hon'ble High Court's decision before the Hon'ble Supreme Court of India by way of a Special Leave Petition ("SLP"). The Hon'ble Supreme Court, by its order dated July 31, 2017, has dismissed the PFRDA's SLP and refused to interfere with the Hon'ble High Court's decision. Accordingly, the Letter of Appointment issued to HDFC Life stands unqualified, with the appointment of HDFC Pension as a pension fund manager being confirmed.

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

3. PORTFOLIO STATEMENT AS ON YEAR ENDED MARCH 31, 2018

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Equity Shares	Reliance Industries Ltd	745,183	657,773,034	6.59%
	Infosys Ltd	429,473	486,077,541	4.87%
	ITC Ltd	1,883,265	481,174,208	4.82%
	Kotak Mahindra Bank Ltd	458,943	480,880,475	4.82%
	ICICI Bank Ltd	1,705,965	474,855,358	4.76%
	HDFC Bank Ltd	239,232	451,215,475	4.52%
	Larsen & Toubro Ltd	343,285	450,012,307	4.51%
	Maruti Suzuki India Ltd	45,870	406,458,657	4.07%
	IndusInd Bank Ltd	210,154	377,594,200	3.78%
	Hindustan Unilever Ltd	206,485	275,316,775	2.76%
	Mahindra & Mahindra Ltd	329,482	243,454,250	2.44%
	Tata Consultancy Services Ltd	79,790	227,333,679	2.28%
	Hero Motocorp Ltd	58,250	206,368,100	2.07%
	State Bank of India	791,837	197,880,066	1.98%
	Axis Bank Ltd	359,187	183,364,964	1.84%
	Tata Motors Ltd	558,297	182,479,374	1.83%
	Zee Entertainment Enterprises Ltd	309,408	178,064,303	1.78%
	Yes Bank Ltd	583,228	177,797,056	1.78%
	UltraTech Cement Ltd	44,923	177,445,850	1.78%
	Bajaj Finance Ltd	93,739	165,688,369	1.66%
	Tata Steel Ltd	289,463	165,297,846	1.66%
	National Thermal Power Corporation Ltd	888,920	150,849,724	1.51%
	Vedanta Ltd	524,955	145,858,747	1.46%
	Asian Paints (India) Ltd	114,896	128,729,478	1.29%
	Bharat Petroleum Corporation Ltd	274,626	117,388,884	1.18%
	Cipla Ltd	206,370	112,564,517	1.13%
	Sun Pharmaceuticals Industries Ltd	227,174	112,473,847	1.13%
	HCL Technologies Ltd	115,762	112,127,073	1.12%
	Oil & Natural Gas Corporation Ltd	609,261	108,326,606	1.09%
	Hindustan Petroleum Corporation Ltd	313,757	108,199,101	1.08%
	Bharati Airtel Ltd	254,693	101,546,099	1.02%
	Shree Cements Ltd	5,851	94,765,429	0.95%
	Power Grid Corporation of India Ltd	436,303	84,315,555	0.84%
	Coal India Ltd	276,955	78,461,352	0.79%
	Havells India Ltd	156,233	76,218,269	0.76%
	Eicher Motors Ltd	2,674	75,868,466	0.76%
	Gas Authority of India Ltd	196,175	64,453,296	0.65%
	Adani Ports And Special Economic Zone Ltd	180,139	63,787,220	0.64%
	Bajaj Finserv Ltd	12,064	62,389,579	0.63%
	Bharti Infratel Ltd	166,719	56,042,592	0.56%
	Dr Reddys Laboratories Ltd	25,176	52,379,927	0.52%
	Nestle India Limited	6,275	51,477,276	0.52%
	Exide Industries Ltd	225,407	50,231,950	0.50%
	Cholamandalam Investment & Finance Company Ltd	33,934	49,219,570	0.49%
	Dabur India Ltd	148,539	48,780,208	0.49%
	Bajaj Auto Ltd	17,395	47,744,057	0.48%
	Hindalco Industries Ltd	209,872	45,028,038	0.45%
	Shriram Transport Finance Co. Ltd	30,741	44,254,744	0.44%
	ICICI Prudential Life Insurance Company Limited	108,987	42,352,348	0.42%
	Britannia Industries Ltd	8,045	39,988,477	0.40%
	Tech Mahindra Ltd	61,568	39,323,482	0.39%
	Housing Development Finance Corporation Ltd	19,444	35,496,966	0.36%
	MRF Ltd	488	35,386,466	0.35%
	Petronet LNG Ltd	130,745	30,195,558	0.30%
	Ambuja Cements Ltd	123,073	28,669,855	0.29%
	Cadila Healthcare Ltd	75,567	28,552,991	0.29%
	Bank of Baroda	197,867	28,156,474	0.28%
	Godrej Consumer Products Ltd	25,473	27,858,546	0.28%
	Indian Oil Corporation Ltd	150,482	26,575,121	0.27%

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

3. PORTFOLIO STATEMENT AS ON YEAR ENDED MARCH 31, 2018

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
	Mahindra & Mahindra Financial Services Ltd	57,192	26,494,194	0.27%
	Wipro Ltd	88,518	24,886,836	0.25%
	UPL Ltd	33,422	24,406,416	0.24%
	Ashok Leyland Ltd	163,788	23,822,965	0.24%
	Federal Bank Ltd	252,087	22,486,160	0.23%
	Bharat Electronics Ltd	153,077	21,652,742	0.22%
	Punjab National Bank	207,030	19,729,959	0.20%
	Bosch Ltd	1,074	19,350,849	0.19%
	Siemens Ltd	17,494	18,768,438	0.19%
	Cummins India Ltd	25,809	18,072,752	0.18%
	Lupin Ltd	23,975	17,642,004	0.18%
	Tata Motors Limited DVR	90,778	16,639,607	0.17%
	Hindustan Zinc Ltd	51,746	15,552,260	0.16%
	Oracle Financial Services Software Ltd	4,106	15,378,407	0.15%
	LIC Housing Finance Ltd	24,777	13,240,829	0.13%
	United Spirits Ltd	4,193	13,122,622	0.13%
	Rural Electrification Corporation Ltd	95,352	11,890,394	0.12%
	Oil India Ltd	48,389	10,468,960	0.10%
	Glenmark Pharmaceuticals Ltd	13,200	6,947,160	0.07%
Equity Shares Total		17,684,071	9,593,123,329	96.11%
Mutual Fund Units	ICICI Prudential Liquid - Direct Plan - Growth	2,066,832	531,353,177	5.32%
Mutual Fund Units Total		2,066,832	531,353,177	5.32%
Net Current Assets		-	(143,189,520)	-1.43%
Grand Total		19,750,903	9,981,286,986	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, 2018

Sr No	Particulars	Scheme E Tier I	
		March 31, 2018	March 31, 2017
1	NAV per unit (₹) I		
	Open	17.5602	14.2812
	High	21.3979	17.5602
	Low	17.5105	13.9545
	End	19.5764	17.5602
2	Closing Assets Under Management (₹ in Lakhs)		
	End	99,812.87	46,667.14
	Average daily net assets (AAuM) II	70,520.39	25,790.13
3	Gross income as % of AAuM III	7.67%	22.34%
4	Expense ratio		
a	Total expense as % of AAuM (scheme wise) IV	0.03%	0.03%
b	Management fee as % of AAuM (scheme wise) V	0.01%	0.01%
5	Net income as % of AAuM VI	7.46%	21.47%
6	Portfolio turnover ratio VII	11.56%	28.37%
7	Total dividend per unit distributed during the period	N.A.	N.A.
8	Returns: (%)		
a	Last one year	11.48%	22.96%
	Benchmark IX	12.09%	20.87%
b	Since inception	95.76%	75.60%
	Benchmark IX	89.55%	69.10%
c	Compound annualised yield (%) VIII		
	Last 1 year	11.48%	22.96%
	Last 2 year	17.08%	6.66%
	Last 3 year	8.25%	13.53%
	Since launch of the scheme	15.49%	16.60%
	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 = Total Income as per Revenue Account		
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 = Surplus / Deficit as per Revenue Account		
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 TRI effective from October 01, 2015. hence since inception returns is not comparable with Benchmark returns. The benchmark return mentioned above represents the return of existing scheme benchmark, which is Nifty 100 TRI .		

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, 2018

Contents

Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

T R Chadha & Co LLP

Chartered Accountants

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Off. Ganpatrao Kadam Marg
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Lower Parel, Mumbai – 400 013
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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, 2018 and the Revenue Account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment or the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and

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

T R Chadha & Co LLP

Chartered Accountants

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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, 2018;
- b) in the case of the Revenue Account, of the surplus of the Scheme for the year ended on that date:

Report on Other Legal and Regulatory Requirements

7. As required by the PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended, we report that:

- a) We have obtained all information and explanations which to the best our knowledge and belief were necessary for the purpose of the audit.
- b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
- c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
- d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
- e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA.

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8. 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: Mumbai
Date:

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NATIONAL PENSION SYSTEM TRUST

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

BALANCE SHEET AS AT MARCH 31, 2018

(In ₹)

Particulars	Schedule	Scheme E Tier II	
		March 31, 2018	March 31, 2017
Liabilities			
Unit Capital	1	195,334,803	80,251,831
Reserves & Surplus	2	135,791,307	41,466,931
Current Liabilities and Provisions	3	4,204,712	3,278,316
Total		335,330,822	124,997,078
Assets			
Investments	4	318,767,196	123,012,908
Deposits	5	-	-
Other Current Assets	6	16,563,626	1,984,170
Total		335,330,822	124,997,078
(a) Net asset as per Balance Sheet (Schedule 4+5+6-3)		331,126,110	121,718,762
(b) Number of units outstanding		19,533,480	8,025,183
(c) NAV per unit (a)/(b) (₹)		16.9517	15.1671
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 16, 2018

For and on Behalf of NPS Trust

Ashvin Parekh

(Chairman, NPS Trust Board)

(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, 2018

(In ₹)

Particulars	Schedule	Scheme E Tier II	
		March 31, 2018	March 31, 2017
Income			
Dividend		2,940,506	900,447
Profit on sale/redemption of investments		4,057,039	1,235,664
Unrealised gain on appreciation in investments		9,370,043	12,434,794
Total Income (A)		16,367,588	14,570,905
Expenses & Losses			
Loss on sale/redemption of investments		373,046	496,240
Management fees (including Goods and Service tax/Service tax)		26,975	7,574
NPS Trust fees		22,952	6,588
Custodian fees		7,355	2,475
CRA fees		100,102	46,723
Less : Amount recoverable on sale of units on account of CRA Charges		(100,102)	(46,723)
Depository and settlement charges		1,449	392
Total Expenditure (B)		431,777	513,269
Surplus/(Deficit) for the year (A-B = C)		15,935,811	14,057,636
Less: Amount transferred to Unrealised appreciation account		(9,370,043)	(11,868,098)
Less: Amount transferred to General Reserve		(6,565,768)	(2,189,538)
Amount carried forward to Balance Sheet		-	-
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 16, 2018

For and on Behalf of NPS Trust

Ashvin Parekh
(Chairman, NPS Trust Board)

(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	Scheme E Tier II	
	March 31, 2018	March 31, 2017
Initial capital		
Unit capital		
Outstanding units at the beginning of the year	80,251,831	26,085,973
Add :Units issued during the year	154,812,367	62,633,146
Less: Units redeemed during the year	(39,729,395)	(8,467,288)
Outstanding at the end of the year	195,334,803	80,251,831
(Face Value of Rs.10/- each unit, fully paid up)		
Outstanding units at the beginning of the year	8,025,183	2,608,597
Add :Units issued during the year	15,481,237	6,263,315
Less: Units redeemed during the year	(3,972,940)	(846,729)
Outstanding Units at the end of the year	19,533,480	8,025,183

Schedule 2: Reserves and surplus

(In ₹)

Particulars	Scheme E Tier II	
	March 31, 2018	March 31, 2017
Unit premium reserve		
Opening balance	27,665,667	6,256,944
Add: Premium on Units issued	106,317,601	24,836,124
Less: Premium on Units redeemed	(27,929,036)	(3,427,401)
Add: Transfer from General Reserve	-	-
Closing balance	106,054,232	27,665,667
General Reserve		
Opening balance	1,933,166	(256,372)
Add/(Less): Transfer from/(to) Revenue Account	6,565,768	2,189,538
Less: Transfer to Unit Premium Reserve	-	-
Closing balance	8,498,934	1,933,166
Unrealised Appreciation Reserve		
Opening balance	11,868,098	-
Add: Adjustment for Previous years unrealised appreciation reserve	-	-
Add/(Less): Transfer from/(to) Revenue Account	9,370,043	11,868,098
Closing balance	21,238,141	11,868,098
Total	135,791,307	41,466,931

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	Scheme E Tier II	
	March 31, 2018	March 31, 2017
Current liabilities & Provision		
Sundry creditors for expenses	19,683	8,652
Redemption Payable	1,590,571	244,759
TDS Payable	372	125
Contracts for purchase of investments	2,594,086	3,024,780
Total	4,204,712	3,278,316

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	Scheme E Tier II	
	March 31, 2018	March 31, 2017
Equity shares	318,767,196	117,256,908
Others - Mutual Fund Units	-	5,756,000
Total	318,767,196	123,012,908

Schedule 5: Deposits**(In ₹)**

Particulars	Scheme E Tier II	
	March 31, 2018	March 31, 2017
Deposits with scheduled banks	-	-
Total	-	-

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

Particulars	Scheme E Tier II	
	March 31, 2018	March 31, 2017
Balances with bank in current account	16,551,712	9,619
Contracts for sale of investments	-	114,290
Brokerage receivable from PFM	778	396
Dividend receivable	11,136	40,076
Sundry debtors	-	1,819,789
Total	16,563,626	1,984,170

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, 2018

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 and Karvy Computershare Pvt.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), Karvy Computershare Pvt.Ltd 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 year end 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 eight separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C, G and A 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

Scheme A – Alternate Investment funds

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 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 closing 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 earnings 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	Scheme E Tier II	
	March 31, 2018	March 31, 2017
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, 2018

(In ₹)

Nature of Transaction	Scheme E Tier II	
	March 31, 2018	March 31, 2017
Investment management fees	26,975	7,574

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	Scheme E Tier II	
	March 31, 2018	March 31, 2017
Investment management fees payable	8,666	2,684

Aggregate investments made in the Associates and group companies as at March 31, 2018 are as follows:

(In ₹)

Name of the Company	Asset type	Scheme E Tier II			
		March 31, 2018		March 31, 2017	
		Cost	Market Value	Cost	Market Value
HDFC Ltd	Equity	858,402	1,296,176	858,402	1,066,491

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, 2018 are as follows:

(In ₹)

Name of the Company	Asset type	Scheme E Tier II			
		March 31, 2018		March 31, 2017	
		Cost	Market Value	Cost	Market Value
HDFC Bank Ltd	Equity	12,247,727	15,024,673	3,853,582	4,670,977

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, 2018 is as follows :

(In ₹)

Particular	Scheme E Tier II	
	March 31, 2018	March 31, 2017
Average Net Asset Value	229,521,477	65,882,909
Purchase of Investment	2,429,957,188	713,827,377
% to average Net Assets Value	1058.71%	1083.48%
Sale of Investment	2,247,185,493	636,094,719
% to average Net Assets Value	979.07%	965.49%

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, 2018 is as follows :

(In ₹)

Particular	Scheme E Tier II	
	March 31, 2018	March 31, 2017
Average Net Asset Value	229,521,477	65,882,909
Purchase of Investment	213,941,888	89,412,176
% to average Net Assets Value	93.21%	135.71%
Sale of Investment	24,818,713	16,716,791
% to average Net Assets Value	10.81%	25.37%

*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	Scheme E Tier II			
	March 31, 2018		March 31, 2017	
	Market value	% of Industry Classification	Market value	% of Industry Classification
Monetary intermediation of commercial / saving / postal banks	80,448,636	24.30%	33,079,486	27.18%
Computer programming, consultancy and related activities	28,642,420	8.65%	11,105,623	9.12%
Manufacture of refined petroleum products	25,852,201	7.81%	7,678,326	6.31%
Manufacture of passenger cars	21,545,289	6.51%	9,057,269	7.44%
Manufacture of cigarettes, cigarette tobacco	16,411,276	4.96%	8,823,563	7.25%
Others	145,867,374	44.05%	47,512,641	39.03%
Mutual Funds	-	0.00%	5,756,000	4.73%
Net Current Assets	12,358,914	3.73%	(1,294,146)	-1.06%
Net Asset Value	331,126,110	100.00%	121,718,762	100.00%

Note :

1) 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	Scheme E Tier II	
			March 31, 2018	March 31, 2017
	NIL	NIL	NIL	NIL

2.8 Prior Year Comparatives :

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

2.9 Note on status of litigation matters with PFRDA

The Company is a wholly owned subsidiary of HDFC Standard Life Insurance Company Ltd. and has been a licensed pension fund manager since 2013. In 2014, the Pension Fund Regulatory & Development Authority ("PFRDA") issued a Request for Proposal ("RFP") inviting bids from Sponsors to select new pension fund managers. The bid of HDFC Life to this RFP was rejected by the PFRDA on the ground that it did not meet certain eligibility criteria under the RFP. The Hon'ble Delhi High Court, however, set aside the rejection, directing the PFRDA to grant a Letter of Appointment to HDFC Life thereby allowing the Company to continue its business. While the PFRDA issued a letter of appointment to HDFC Life, it also challenged the Hon'ble High Court's decision before the Hon'ble Supreme Court of India by way of a Special Leave Petition ("SLP"). The Hon'ble Supreme Court, by its order dated July 31, 2017, has dismissed the PFRDA's SLP and refused to interfere with the Hon'ble High Court's decision. Accordingly, the Letter of Appointment issued to HDFC Life stands unqualified, with the appointment of HDFC Pension as a pension fund manager being confirmed.

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

3. PORTFOLIO STATEMENT AS ON MARCH 31, 2018

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Equity Shares	Reliance Industries Ltd	24,207	21,367,519	6.45%
	ITC Ltd	64,232	16,411,276	4.96%
	ICICI Bank Ltd	57,951	16,130,661	4.87%
	Infosys Ltd	13,907	15,739,943	4.75%
	Larsen & Toubro Ltd	11,889	15,585,290	4.71%
	Kotak Mahindra Bank Ltd	14,787	15,493,819	4.68%
	HDFC Bank Ltd	7,966	15,024,673	4.54%
	Maruti Suzuki India Ltd	1,478	13,096,706	3.96%
	IndusInd Bank Ltd	6,950	12,487,413	3.77%
	Hindustan Unilever Ltd	7,036	9,381,451	2.83%
	Mahindra & Mahindra Ltd	11,434	8,448,583	2.55%
	Tata Consultancy Services Ltd	2,704	7,704,102	2.33%
	Hero Motocorp Ltd	1,978	7,007,658	2.12%
	State Bank of India	27,365	6,838,514	2.07%
	Axis Bank Ltd	12,287	6,272,514	1.89%
	Tata Motors Ltd	18,879	6,170,600	1.86%
	UltraTech Cement Ltd	1,533	6,055,349	1.83%
	Zee Entertainment Enterprises Ltd	10,397	5,983,474	1.81%
	Yes Bank Ltd	19,033	5,802,209	1.75%
	Bajaj Finance Ltd	2,976	5,260,228	1.59%
	Tata Steel Ltd	9,185	5,245,093	1.58%
	National Thermal Power Corporation Ltd	30,559	5,185,861	1.57%
	Vedanta Ltd	17,824	4,952,397	1.50%
	Asian Paints (India) Ltd	3,809	4,267,603	1.29%
	Bharat Petroleum Corporation Ltd	9,178	3,923,136	1.18%
	HCL Technologies Ltd	3,965	3,840,499	1.16%
	Sun Pharmaceuticals Industries Ltd	7,649	3,787,020	1.14%
	Cipla Ltd	6,942	3,786,514	1.14%
	Bharati Airtel Ltd	9,145	3,646,112	1.10%
	Hindustan Petroleum Corporation Ltd	10,478	3,613,338	1.09%
	Oil & Natural Gas Corporation Ltd	18,795	3,341,751	1.01%
	Shree Cements Ltd	195	3,158,308	0.95%
	Power Grid Corporation of India Ltd	15,810	3,055,283	0.92%
	Coal India Ltd	9,240	2,617,692	0.79%
	Eicher Motors Ltd	92	2,610,284	0.79%
	Adani Ports And Special Economic Zone Ltd	6,285	2,225,519	0.67%
	Gas Authority of India Ltd	6,692	2,198,657	0.66%
	Bajaj Finserv Ltd	413	2,135,850	0.65%
	Havells India Ltd	3,893	1,899,200	0.57%
	Dr Reddys Laboratories Ltd	832	1,731,018	0.52%
	Exide Industries Ltd	7,758	1,728,870	0.52%
	Nestle India Limited	205	1,681,728	0.51%
	Dabur India Ltd	5,022	1,649,225	0.50%
	Bajaj Auto Ltd	569	1,561,734	0.47%
	Hindalco Industries Ltd	7,113	1,526,094	0.46%
	Shriram Transport Finance Co. Ltd	1,001	1,441,040	0.44%
	ICICI Prudential Life Insurance Company Limited	3,648	1,417,613	0.43%
	Tech Mahindra Ltd	2,126	1,357,876	0.41%
	Britannia Industries Ltd	273	1,356,974	0.41%
	Housing Development Finance Corporation Ltd	710	1,296,176	0.39%
Bharti Infratel Ltd	3,647	1,225,939	0.37%	
MRF Ltd	16	1,160,212	0.35%	
Petronet LNG Ltd	4,538	1,048,051	0.32%	
Ambuja Cements Ltd	4,068	947,641	0.29%	
Godrej Consumer Products Ltd	860	940,539	0.28%	
Bank of Baroda	6,591	937,899	0.28%	
Mahindra & Mahindra Financial Services Ltd	2,018	934,839	0.28%	
Cholamandalam Investment & Finance Company Ltd	628	910,883	0.28%	
UPL Ltd	1,197	874,109	0.26%	
Indian Oil Corporation Ltd	4,934	871,344	0.26%	
Wipro Ltd	3,006	845,137	0.26%	
Federal Bank Ltd	8,845	788,974	0.24%	
Ashok Leyland Ltd	5,247	763,176	0.23%	
Bharat Electronics Ltd	5,321	752,655	0.23%	
Punjab National Bank	7,051	671,960	0.20%	
Bosch Ltd	36	648,632	0.20%	
Cadila Healthcare Ltd	1,646	621,941	0.19%	
Siemens Ltd	576	617,962	0.19%	

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

3. PORTFOLIO STATEMENT AS ON MARCH 31, 2018

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
	Cummins India Ltd	868	607,817	0.18%
	Lupin Ltd	805	592,359	0.18%
	Oracle Financial Services Software Ltd	151	565,548	0.17%
	Hindustan Zinc Ltd	1,856	557,821	0.17%
	Tata Motors Limited DVR	3,012	552,100	0.17%
	LIC Housing Finance Ltd	1,013	541,347	0.16%
	Rural Electrification Corporation Ltd	3,265	407,146	0.12%
	United Spirits Ltd	112	350,521	0.11%
	Oil India Ltd	1,553	335,992	0.10%
	Glenmark Pharmaceuticals Ltd	369	194,205	0.06%
Equity Shares Total		591,624	318,767,196	96.27%
Net Current Assets		-	12,358,914	3.73%
Grand Total		591,624	331,126,110	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, 2018

Sr No	Particulars	Scheme E Tier II	
		March 31, 2018	March 31, 2017
1	NAV per unit (₹) I Open High Low End	15.1671 18.5383 15.1126 16.9517	12.3003 15.1671 12.0125 15.1671
2	Closing Assets Under Management (₹ in Lakhs) End Average daily net assets (AAuM) II	3,311.26 2,295.21	1,217.19 658.83
3	Gross income as % of AAuM III	7.13%	22.12%
4	Expense ratio		
a	Total expense as % of AAuM (scheme wise) IV	0.03%	0.03%
b	Management fee as % of AAuM (scheme wise) V	0.01%	0.01%
5	Net income as % of AAuM VI	6.94%	21.34%
6	Portfolio turnover ratio VII	10.81%	25.37%
7	Total dividend per unit distributed during the period	N.A.	N.A.
8	Returns: (%) VIII		
a	Last one year Benchmark X	11.77% 12.09%	23.31% 20.87%
b	Since inception Benchmark X	69.52% 89.55%	51.67% 69.10%
c	Compound annualised yield (%) IX Last 1 year Last 2 year Last 3 year Since launch of the scheme	11.77% 17.39% 8.56% 11.98%	23.31% 6.99% 12.01% 12.03%
	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 = Total Income as per Revenue Account		
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 = Surplus / Deficit as per Revenue Account		
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	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. As per prevailing fund objective of Tier II Scheme E, the fund could only invest in equity securities through Nifty 50 Index basket. There was a minimum threshold amount for investment in Nifty 50 basket and till the time investable amount reaches the threshold, it was invested temporarily in liquid and money market schemes of mutual funds. Due to small size of the fund this has affected the fund performance. 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)		
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 TRI effective from October 01, 2015. hence since inception returns is not comparable with Benchmark returns. The benchmark return mentioned above represents the return of existing scheme benchmark, which is Nifty 100 TRI .		



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, 2018

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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 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, 2018 and the Revenue Account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment or the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation

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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, 2018;
- b) in the case of the Revenue Account, of the surplus of the Scheme for the year ended on that date:

Report on Other Legal and Regulatory Requirements

7. As required by the PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended, we report that:

- a) We have obtained all information and explanations which to the best our knowledge and belief were necessary for the purpose of the audit.
- b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
- c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
- d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
- e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA.

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 ❖ TIRUPATI

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



8. 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: Mumbai
Date:

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

NATIONAL PENSION SYSTEM TRUST

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

BALANCE SHEET AS AT MARCH 31, 2018

(In ₹)

Particulars	Schedule	Scheme C Tier I	
		March 31, 2018	March 31, 2017
Liabilities			
Unit Capital	1	3,964,703,627	1,909,945,530
Reserves & Surplus	2	2,405,204,472	974,824,004
Current Liabilities and Provisions	3	149,865,924	54,788,616
Total		6,519,774,023	2,939,558,150
Assets			
Investments	4	6,080,042,585	2,837,910,870
Deposits	5	-	-
Other Current Assets	6	439,731,438	101,647,280
Total		6,519,774,023	2,939,558,150
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		6,369,908,099	2,884,769,534
(b) Number of units outstanding		396,470,363	190,994,553
(c) NAV per unit (a)/(b) (₹)		16.0665	15.1039
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 16, 2018

For and on Behalf of NPS Trust

Ashvin Parekh
(Chairman, NPS Trust Board)

(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, 2018

(In ₹)

Particulars	Schedule	Scheme C Tier I	
		March 31, 2018	March 31, 2017
Income			
Interest		334,206,504	136,401,605
Profit on sale/redemption of investments		10,233,990	2,831,683
Unrealised gain on appreciation in investments		1,871	36,587,261
Total Income (A)		344,442,365	175,820,549
Expenses & Losses			
Unrealised losses in value of investments		87,056,483	-
Loss on sale/redemption of investments		6,112,975	-
Management fees (including Goods and Service tax/Service tax)		502,545	194,520
NPS Trust fees		427,919	169,229
Custodian fees		143,921	60,886
CRA fees		6,660,630	6,145,519
Less : Amount recoverable on sale of units on account of CRA Charges		(6,660,630)	(6,145,519)
Depository and settlement charges		27,084	8,695
Total Expenditure (B)		94,270,927	433,330
Surplus/(Deficit) for the year (A-B = C)		250,171,438	175,387,219
Less: Amount transferred to Unrealised appreciation account		44,167,183	(36,587,261)
Less: Amount transferred to General Reserve		(294,338,621)	(138,799,958)
Amount carried forward to Balance Sheet		-	-
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 :

Place : Mumbai

Date :

Date : April 16, 2018

For and on Behalf of NPS Trust

Ashvin Parekh
(Chairman, NPS Trust Board)

(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	Scheme C Tier I	
	March 31, 2018	March 31, 2017
Initial capital		
Unit capital		
Outstanding at the beginning of the year	1,909,945,530	752,163,302
Add :Units issued during the year	2,184,763,659	1,209,580,776
Less: Units redeemed during the year	(130,005,562)	(51,798,548)
Outstanding at the end of the year	3,964,703,627	1,909,945,530
(Face Value of Rs.10/- each unit, fully paid up)		
Outstanding units at the beginning of the year	190,994,553	75,216,330
Add :Units issued during the year	218,476,366	120,958,078
Less: Units redeemed during the year	(13,000,556)	(5,179,855)
Outstanding Units at the end of the year	396,470,363	190,994,553

Schedule 2: Reserves and surplus

(In ₹)

Particulars	Scheme C Tier I	
	March 31, 2018	March 31, 2017
Unit premium reserve		
Opening balance	753,632,602	214,545,981
Add: Premium on Units issued	1,254,267,162	562,744,284
Less: Premium on Units redeemed	(74,058,132)	(23,657,663)
Add: Transfer from General Reserve	-	-
Closing balance	1,933,841,632	753,632,602
General Reserve		
Opening balance	177,022,348	38,222,390
Add/(Less): Transfer from/(to) Revenue Account	294,338,621	138,799,958
Less: Transfer to Unit Premium Reserve	-	-
Closing balance	471,360,969	177,022,348
Unrealised Appreciation Reserve		
Opening balance	44,169,054	7,581,793
Add: Adjustment for Previous years unrealised appreciation reserve	-	-
Add/(Less): Transfer from/(to) Revenue Account	(44,167,183)	36,587,261
Closing balance	1,871	44,169,054
Total	2,405,204,472	974,824,004

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	Scheme C Tier I	
	March 31, 2018	March 31, 2017
Current liabilities		
Sundry creditors for expenses	366,821	183,528
Redemption Payable	3,391,201	1,881,347
TDS Payable	6,961	2,949
Contract for Purchase of Investments	146,058,263	52,468,114
Interest received in advance	42,678	252,678
Total	149,865,924	54,788,616

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	Scheme C Tier I	
	March 31, 2018	March 31, 2017
Debentures and Bonds Listed/Awaiting Listing	6,078,615,714	2,733,428,869
Others - Mutual Fund Units	1,426,871	104,482,001
Total	6,080,042,585	2,837,910,870

Schedule 5: Deposits**(In ₹)**

Particulars	Scheme C Tier I	
	March 31, 2018	March 31, 2017
Deposits with scheduled banks	-	-
Total	-	-

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

Particulars	Scheme C Tier I	
	March 31, 2018	March 31, 2017
Balances with bank in current account	148,487,861	25,133
Outstanding and accrued income	230,808,563	101,622,147
Brokerage receivable from PFM	14,000	-
Application money pending allotment	60,421,000	-
Sundry Debtors	14	-
Total	439,731,438	101,647,280

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, 2018

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 and Karvy Computershare Pvt. 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), Karvy Computershare Pvt. Ltd 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 year end 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 eight separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C, G and A 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

Scheme A – Alternate Investment funds

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 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.

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.

Valuation of securities having call and/or Put options:

- a) Callable Bonds with single / daily / multiple call options will be valued at lowest value basis.
- b) Puttable Bonds with single / daily / multiple call options will be valued at highest value basis.
- c) The securities with both Call & Put options on the same day would be deemed to mature on the Call/Put day and will be valued accordingly.
- d) For perpetual bonds with single / daily / multiple call options, the price for all options dates till the maturity date will be computed and the lowest price will be used for valuing the bonds.

Valuation of Partly Paid up Bonds

Partly paid bonds will be valued on the paid up value of the bonds till it is fully paid.

Valuation of debt securities below Investment grade of BBB-

Valuation of performing non-government debt securities below Investment grade of BBB- at a discount of 25% to face value (as per SEBI guideline CIR MFD/CIR/8/92/2000 dated September 18,2000)

Valuation of Money Market Investment and Mutual Fund

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

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	Scheme C Tier I	
	March 31, 2018	March 31, 2017
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, 2018

(In ₹)

Nature of Transaction	Scheme C Tier I	
	March 31, 2018	March 31, 2017
Investment management fees	502,545	194,520

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	Scheme C Tier I	
	March 31, 2018	March 31, 2017
Investment management fees payable	154,383	63,929

Aggregate investments made in the Associates and group companies as at March 31, 2018 are as follows:

(In ₹)

Name of the Company	Asset type	Scheme C Tier I			
		March 31, 2018		March 31, 2017	
		Cost	Market Value	Cost	Market Value
HDFC Ltd	NCD	261,686,870	259,692,529	102,736,500.00	103,754,748.00

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, 2018 are as follows:

(In ₹)

Name of the Company	Asset type	Scheme C Tier I			
		March 31, 2018		March 31, 2017	
		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, 2018 is as follows :

(In ₹)

Particular	Scheme C Tier I	
	March 31, 2018	March 31, 2017
Average Net Asset Value	4,279,191,305	1,692,285,445
Purchase of Investment	33,079,776,252	9,866,059,197
% to average Net Assets Value	773.04%	583.00%
Sale of Investment	29,641,139,381	7,988,311,019
% to average Net Assets Value	692.68%	472.04%

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, 2018 is as follows :

(In ₹)

Particular	Scheme C Tier I	
	March 31, 2018	March 31, 2017
Average Net Asset Value	4,279,191,305	1,692,285,445
Purchase of Investment	3,890,480,646	1,804,995,840
% to average Net Assets Value	90.92%	106.66%
Sale of Investment	340,908,783	23,753,461
% to average Net Assets Value	7.97%	1.40%

*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	Scheme C Tier I			
	March 31, 2018		March 31, 2017	
	Market value	% of Industry Classification	Market value	% of Industry Classification
Other credit granting	1,882,995,276	29.56%	932,290,869	32.32%
Monetary intermediation of commercial / saving / postal banks	962,493,177	15.11%	353,716,586	12.26%
Activities of specialized institutions granting credit for house purchases	782,370,125	12.28%	356,465,425	12.36%
Transmission of Electric Energy	556,558,599	8.74%	263,853,168	9.15%
Electric Power Generation, Transmission and Distribution	415,329,276	6.52%	191,532,569	6.64%
Activity of commission agents dealing in wholesale trade in agriculture	408,345,099	6.41%	123,743,907	4.29%
Service activities incidental to water transportation	383,047,777	6.01%	247,381,565	8.58%
Trusts, Funds and Other Financial Vehicles	145,039,638	2.28%	145,191,058	5.03%
Others	542,436,747	8.52%	119,253,722	4.13%
Mutual Funds	1,426,871	0.02%	104,482,001	3.62%
Net Current Assets	289,865,514	4.55%	46,858,664	1.62%
Net Asset Value	6,369,908,099	100.00%	2,884,769,534	100.00%

Note :

1. 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	Scheme C Tier I	
			March 31, 2018	March 31, 2017
Reliance Liquidity Fund - Direct Growth Plan - Growth Option	Liquid Mutual Fund	Less than 7 Days	60,421,000	NIL

2.8 Prior Year Comparatives :

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

2.9 Note on status of litigation matters with PFRDA

The Company is a wholly owned subsidiary of HDFC Standard Life Insurance Company Ltd. and has been a licensed pension fund manager since 2013. In 2014, the Pension Fund Regulatory & Development Authority ("PFRDA") issued a Request for Proposal ("RFP") inviting bids from Sponsors to select new pension fund managers. The bid of HDFC Life to this RFP was rejected by the PFRDA on the ground that it did not meet certain eligibility criteria under the RFP. The Hon'ble Delhi High Court, however, set aside the rejection, directing the PFRDA to grant a Letter of Appointment to HDFC Life thereby allowing the Company to continue its business. While the PFRDA issued a letter of appointment to HDFC Life, it also challenged the Hon'ble High Court's decision before the Hon'ble Supreme Court of India by way of a Special Leave Petition ("SLP"). The Hon'ble Supreme Court, by its order dated July 31, 2017, has dismissed the PFRDA's SLP and refused to interfere with the Hon'ble High Court's decision. Accordingly, the Letter of Appointment issued to HDFC Life stands unqualified, with the appointment of HDFC Pension as a pension fund manager being confirmed.

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

3. PORTFOLIO STATEMENT AS ON YEAR ENDED MARCH 31, 2018

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Non-convertible Debenture	9.95% Food Corporation of India Ltd Mat 07-Mar-2022	280	299,859,804	4.71%
	9.34% Rural Electrification Corp Ltd Mat 25-Aug-2024	209	222,113,424	3.49%
	8.67% IDFC Bank Ltd NCD Mat 03-Jan-2025	183	188,801,687	2.96%
	8.45% Reliance Ports and Terminal Ltd NCD Mat 12-Jun-2023	166	170,526,928	2.68%
	8.22% NABARD NCD Mat 25-Feb-2028	145	148,704,438	2.33%
	7.25% Nuclear Power Corp. Mat 15-Dec-2031 (SR-XXXIII TRCH-E)	148	139,960,963	2.20%
	8.49% NTPC NCD Mat 25-Mar-2025	10,104,965	129,045,456	2.03%
	9.39% Power Finance Corporation Ltd. Mat 27-Aug-2024	113	120,370,923	1.89%
	8.14% Nuclear Power Corp. Mat 25-Mar-2026(Tranche A)	114	115,698,096	1.82%
	9.02% Rural Electrification Corp Ltd Mat 19-Nov-2022	109	114,012,390	1.79%
	7.90% Reliance Ports and Terminal Ltd NCD Mat 18-Nov-2026	112	111,048,937	1.74%
	9.30% Power Grid NCD Mat 04-Sep-2024	101	107,161,721	1.68%
	9.30% Power Grid NCD Mat 28-Jun-2024	80	105,983,144	1.66%
	9.10% Capital First Ltd Mat 31-May-2021	100	101,829,739	1.60%
	9.00% LIC Housing Finance Ltd. Mat 09-April-2023	97	101,762,563	1.60%
	10.40% Reliance Ports and Terminal Ltd NCD Mat 18-Jul-2021	94	101,471,912	1.59%
	8.15% EXIM Bank NCD Mat 21-Jan-2030	100	101,072,294	1.59%
	7.83%IRFC NCD Mat 21-Mar-2027	100	98,876,298	1.55%
	7.00% Reliance Industries Limited Mat 31-Aug-2022	100	97,111,762	1.52%
	7.27% IRFC NCD Mat 15-June-2027	97	92,518,893	1.45%
	7.02% EXIM Bank NCD Mat 25-11-2031	100	91,513,482	1.44%
	7.55% Power Grid NCD Mat 21-Sep-2031	95	91,428,941	1.44%
	9.20% Capital First Ltd Mat 22-Jan-2021	73	74,371,434	1.17%
	8.65% Power Finance Corporation Ltd. Mat-28-Dec-2024	65	66,991,143	1.05%
	10.15% Shriram Transport Fin NCD Mat 15-Jul-2021	60,000	62,863,164	0.99%
	8.89% LIC Housing Finance Ltd. Mat 25-Apr-2023	60	62,691,152	0.98%
	9.17% IDFC Bank Ltd NCD Mat 14-Oct-2024	58	61,213,273	0.96%
	8.80% Food Corporation of India Ltd Mat 22-Mar-2028	56	58,995,650	0.93%
	8.50% LIC Housing Finance Co. Ltd. Mat 29-Aug-2025	57	58,377,578	0.92%
	9.09% IRFC Ltd NCD Mat 31-Mar-2026 (75th Series)	50	53,524,951	0.84%
	9.35% Power Grid NCD Mat 29-Aug-2024.	50	53,166,108	0.83%
	9.30% EXIM Bank NCD Mat 11-May-2022	50	52,571,624	0.83%
	9.27%IRFC NCD Mat 10-May-2021	50	52,528,520	0.82%
	8.18% EXIM Bank NCD Mat 07-Dec-2025	52	52,370,541	0.82%
	8.84% Power Finance Corporation Ltd. Mat-04-Mar-2023	50	52,089,863	0.82%
	8.85% Power Grid NCD Mat 19-Oct-2024	40	51,985,197	0.82%
	8.75% HDFC Ltd Mat 04-Mar-2021	5	51,499,775	0.81%
	8.50% NHPC NCD Mat 14-July-2025	500	51,204,263	0.80%
	8.44% HDFC Ltd Mat 01-Jun-2026	5	51,141,865	0.80%
	9.20% Capital First Ltd Mat 29-Jan-2021	50	50,947,490	0.80%
	8.35% HDFC Ltd Mat 13-May-2026	5	50,881,943	0.80%
	8.20% HDFC Ltd Mat 29-Jul-2021	5	50,878,137	0.80%
	9.70% Power Finance Corporation Ltd. Mat 09-Jun-2021	48	50,791,548	0.80%
	8.06% Rural Electrification Corp Ltd Mat 27-Mar-2028`	50	50,722,715	0.80%
	8.27% Rural Electrification Corp Ltd Mat 06-Feb-2025	50	50,615,586	0.79%
	7.98% IDFC Bank Ltd NCD Mat 23-May-2023	50	50,392,557	0.79%
	7.95% LIC Housing Finance Ltd. Mat 24-Mar-2022	50	50,278,430	0.79%
	8.72% Shriram Transport Fin NCD Mat 27-Mar-2023	50	50,000,000	0.78%
	7.57% LIC Housing Finance Ltd. Mat 18-Feb-2021	50	49,998,628	0.78%
	7.50% Power Finance Corporation Ltd. Mat 16-Aug-2021	50	49,881,309	0.78%
	7.80% IL&FS Ltd. NCD Mat 30-Nov-2020.	50,000	49,547,300	0.78%
	8.62% Food Corporation of India Ltd Mat 22-Mar-2023	48	49,489,645	0.78%
	8.55% Bajaj Finance Ltd NCD Mat 26-Apr-2021	49	49,483,875	0.78%
	8.95% HDFC Ltd Mat 21-Mar-2023	47	49,122,853	0.77%
	7.52% NHPC NCD Mat 06-JUNE-2025	50	48,604,260	0.76%
	9.60% EXIM Bank NCD Mat 07-FEB-2024	45	48,180,148	0.76%
	8.40% Power Grid NCD Mat 27-May-2024	47	47,799,226	0.75%
	7.25% Nuclear Power Corp. Mat 15-Dec-2029 (SR-XXXIII TRCH-C)	50	47,735,111	0.75%
	7.40% Power Finance Corporation Ltd. Mat 30-Sep-2021.	47	46,744,419	0.73%
	10.15% Bajaj Finance Ltd NCD Mat 19-Sep-2024	43	46,443,945	0.73%
8.49% NHPC NCD Mat 26-November-2024	450	46,002,834	0.72%	
7.25% Nuclear Power Corp. Mat 15-Dec-2028 (SR-XXXIII TRCH-B)	47	44,986,995	0.71%	
10% Shriram Transport Fin NCD Mat 13-Nov-2024	41	43,635,090	0.69%	
8.94% Bajaj Finance Ltd NCD Mat 07-Nov-2025	38	38,908,082	0.61%	
8.54% NHPC NCD Mat 26-November-2026.	330	33,977,177	0.53%	
9.17% NTPC NCD Mat 22-Sep-2024	30	31,649,549	0.50%	
10.25% Shriram Transport Fin NCD Mat 10-Oct-2024	29	31,191,524	0.49%	
8.80% Rural Electrification Corp Ltd Mat 25-Oct-2020	30	30,816,622	0.48%	
9.30% LIC Housing Finance Ltd. Mat 14-Sep-2022	29	30,582,742	0.48%	
8.40% Nuclear Power Corp. Mat 28-Nov-2025 (SR-XXIX TRCH-A)	29	29,842,380	0.47%	
9.22% LIC Housing Finance Co. Ltd. Mat 16-Oct-2024	28	29,621,331	0.47%	
7.59% LIC Housing Finance Ltd. Mat 14-Oct-2021	28	27,999,117	0.44%	
8.95% LIC Housing Finance Co. Ltd. Mat 15-Sep-2020	25	25,738,214	0.40%	
9.36% IDFC Bank Ltd NCD Mat 21-Aug-2024	22	23,400,318	0.37%	
8.82% Rural Electrification Corp. Ltd. Mat 12-Apr-2023	22	22,921,265	0.36%	
8.32% Power Grid NCD Mat 23-Dec-2030	22	22,536,508	0.35%	
9.30% Power Grid NCD Mat 28-Jun-2026	16	21,463,899	0.34%	
9.60% LIC Housing Finance Ltd. Mat 07-Mar-2021	20	21,033,740	0.33%	
9.00% LIC Housing Finance Ltd. Mat-23-Nov-2020	20	20,653,326	0.32%	
9.05% Shriram Transport Fin NCD Mat 30-Jun-2021	20	20,343,574	0.32%	

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

3. PORTFOLIO STATEMENT AS ON YEAR ENDED MARCH 31, 2018

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
	10.25% Shriram Transport Fin NCD Mat 18-Sep-2024	18	19,350,673	0.30%
	9.45% LIC Housing Finance Co. Ltd. Mat 30-Jan-2022	18	18,956,373	0.30%
	8.40% Power Grid NCD Mat 27-May-2029	18	18,510,888	0.29%
	8.10% EXIM Bank NCD Mat 19-Nov-2025.	18	18,047,058	0.28%
	8.50% EXIM Bank Mat 08-Jul-2023	17	17,478,783	0.27%
	8.38% Power Finance Corporation Ltd.Mat-27-April-2020	17	17,275,426	0.27%
	10.70%IRFC NCD Mat 11-Sep-2023	15	16,924,421	0.27%
	8.75% IDFC Bank Ltd NCD Mat 28-Jul-2023	16	16,592,874	0.26%
	8.70% IDFC Bank Ltd NCD Mat 23-Jun-2025	16	16,557,951	0.26%
	10.35% United Phosphorus Ltd. NCD Mat 08-Jun-2019	16	16,466,569	0.26%
	8.70% Power Grid NCD Mat 15-Jul-2028	15	15,707,525	0.25%
	8.70% Power Finance Corporation Ltd.Mat 14-May-2025	14	14,489,082	0.23%
	9.22% Shriram Transport Fin NCD Mat 13-Apr-2026	14	14,423,904	0.23%
	8.83% IRFC NCD Mat 14-May-2031	13	14,036,900	0.22%
	8.95%IRFC NCD Mat 10-Mar-2025	13	13,733,866	0.22%
	9.43% LIC Housing Finance Co. Ltd. Mat 10-Feb-2022	12	12,634,604	0.20%
	9.15% EXIM Bank NCD Mat 05-Sep-2022	12	12,586,752	0.20%
	8.49% IDFC Bank Ltd NCD Mat 11-Dec-2024	12	12,269,213	0.19%
	9.35% Rural Electrification Corp Ltd Mat 15-Jun-2022	10	10,539,646	0.17%
	8.90% IDFC Bank Ltd NCD Mat 19-Nov-2025	10	10,469,053	0.16%
	8.80% Power Finance Corporation Ltd. Mat 15-Jan-2025	10	10,384,178	0.16%
	9.30% Shriram Transport Fin NCD Mat 18-Mar-2026	10	10,345,593	0.16%
	8.89% IDFC Bank Ltd NCD Mat 02-Dec-2020	10	10,304,092	0.16%
	9.25% Shriram Transport Fin NCD Mat 18-Mar-2021	10	10,214,172	0.16%
	8.85% Bajaj Finance Ltd NCD Mat 21-Jul-2026	10	10,203,736	0.16%
	8.14% Nuclear Power Corp. Mat 25-Mar-2028 (Tranche C)	10	10,200,599	0.16%
	8.40 % L&T NCD Mat 24 Sep 2020	10	10,176,498	0.16%
	8.52% Power Finance Corporation Ltd.Mat-09-Dec-2019	10	10,147,598	0.16%
	8.23% Rural Electrification Corp Ltd Mat 23-Jan-2025	10	10,102,524	0.16%
	8.20% Power Finance Corporation Ltd.Mat 10-Mar-2025	10	10,080,861	0.16%
	8.75% Power Finance Corporation Ltd. Mat 15-Jun-2025	9	9,338,010	0.15%
	8.56% Nuclear Power Corp. Mat 15-Mar-2023 (Tranche C)	9	9,297,048	0.15%
	9.15% Shriram Transport Fin NCD Mat 13-Apr-2021	9	9,173,602	0.14%
	8.14% Nuclear Power Corp. Mat 25-Mar-2027 (Tranche B)	9	9,168,022	0.14%
	8.85% Power Finance Corporation Ltd.Mat 15-Jun-2030	7	7,449,110	0.12%
	8.83% IRFC NCD Mat 14-May-2034	6	6,501,761	0.10%
	8.90% HDFC Ltd Mat 18-Aug-2020	6	6,167,956	0.10%
	8.55% Power Finance Corporation Ltd.Mat 09-Dec-2021	6	6,157,030	0.10%
	8.83% IRFC NCD Mat 14-May-2035	5	5,430,643	0.09%
	9.75% Rural Electrification Corp Ltd Mat 11-Nov-2021	5	5,330,409	0.08%
	9.38% IDFC Bank Ltd NCD Mat 12-Sep-2024	5	5,325,309	0.08%
	8.40% Nuclear Power Corp. Mat 28-Nov-2026 (SR-XXIX TRCH-B)	5	5,164,098	0.08%
	8.73% IDFC Bank Ltd NCD Mat 14-Jun-2022	5	5,162,310	0.08%
	8.44% Rural Electrification Corp Ltd Mat 04-Dec-2021	5	5,138,068	0.08%
	9.25% Tata Sons Ltd NCD Mat 19-Jun-2019	5	5,099,614	0.08%
	8.75% Mahindra and Mahindra Financial Services Ltd Mat 09-Oct-2025	5	5,067,089	0.08%
	8.79% IRFC NCD Mat 04-May-2030	4	4,291,623	0.07%
	8.93% Power Grid NCD Mat 20-Oct-2027	4	4,238,687	0.07%
	8.70% IDFC Bank Ltd NCD Mat 20-May-2025	4	4,139,813	0.06%
	8.93% Power Grid NCD Mat 20-Oct-2020	4	4,119,869	0.06%
	8.70% Power Finance Corp Ltd Mat 14-May-2020	4	4,088,408	0.06%
	8.64% IDFC Bank Ltd NCD Mat 15-Apr-2020	4	4,081,752	0.06%
	8.25% EXIM Bank NCD Mat 23-Jun-2031	4	4,077,576	0.06%
	9.46% Power Finance Corporation Ltd.Mat 01-Aug-2026	3	3,249,266	0.05%
	9.48% Rural Electrification Corp Ltd Mat 10-Aug-2021	3	3,163,042	0.05%
	8.68%IRFC NCD Mat 29-Nov-2021	3	3,110,283	0.05%
	8.68% LIC Housing Finance Ltd. Mat 30-Mar-2020	3	3,062,531	0.05%
	8.27% Rural Electrification Corp Ltd Mat 09-Mar-2022	3	3,053,688	0.05%
	9.50% IL&FS Ltd. NCD Mat 28-Jul-2024	2,900	3,039,294	0.05%
	7.74%IRFC NCD Mat 22-Dec-2020	3	3,023,410	0.05%
	8.84% Power Grid NCD Mat 21-Oct-2023	2	2,585,892	0.04%
	8.64% Power Grid NCD Mat 08-Jul-2024	2	2,571,239	0.04%
	9.80% L&T Infrastructure Finance Ltd Mat 16-Jan-2019	1	2,530,608	0.04%
	9.18% Nuclear Power Corp. Mat 23-Jan-2028(Tranche D)	2	2,180,028	0.03%
	9.47% LIC Housing Finance Ltd Mat 23-Aug-2024	2	2,138,053	0.03%
	8.93% Power Grid NCD Mat 20-Oct-2028	2	2,127,600	0.03%
	9.55% IL&FS Ltd. NCD Mat 13-Aug-2024	2,000	2,101,251	0.03%
	9.75% EXIM Bank NCD Mat 04-Oct-2020	2	2,095,107	0.03%
	8.93% Power Grid NCD Mat 20-Oct-2024	2	2,087,317	0.03%
	8.93% Power Grid NCD Mat 20-Oct-2021	2	2,081,083	0.03%
	9.55% Hindalco Ind. Ltd. NCD Mat 27-Jun-2022	2	2,076,810	0.03%
	9.44% LIC Housing Finance Co. Ltd. Mat 30-Aug-2019	2	2,048,588	0.03%
	9.43% Tata Sons Ltd NCD Mat 02-Jun-2019	2	2,042,638	0.03%
	10% Shriram Transport Fin NCD Mat 15-Jul-2019	2,000	2,036,308	0.03%
	8.69% IL&FS Ltd. NCD Mat 25-Aug-2025	2,000	2,020,210	0.03%
	8.11% Rural Electrification Corp Ltd Mat 07-Oct-2025	2	2,006,373	0.03%
	8.50% NHPC NCD Mat 14-July-2023	15	1,541,092	0.02%
	9.47% IRFC NCD Mat 10-May-2031	1	1,131,544	0.02%
	9.18% Nuclear Power Corp. Mat 23-Jan-2029(Tranche E)	1	1,095,936	0.02%
	9.74% Tata Sons Ltd NCD Mat 13-Jan-2024	1	1,076,151	0.02%

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

3. PORTFOLIO STATEMENT AS ON YEAR ENDED MARCH 31, 2018

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
	9.20% Power Finance Corp Ltd Mat 07-Jul-2021	1	1,045,288	0.02%
	8.83% IRFC NCD Mat 25-Mar-2023	1	1,042,036	0.02%
	8.64% IRFC NCD Mat 17-May-2021	1	1,033,562	0.02%
	8.97% Tata Sons Ltd NCD Mat 15-Jul-2020	1	1,028,886	0.02%
	10.24% L&T Finance Ltd Mat 17-Sep-2019	1,000	1,027,436	0.02%
	9.45% LIC Housing Finance Co. Ltd. Mat 10-Sep-2019	1	1,024,739	0.02%
	8.72% IDFC Bank Ltd NCD Mat 29-Sep-2020	1	1,024,725	0.02%
	8.37% LIC Housing Finance Co. Ltd. Mat-21-May-2023	1	1,023,853	0.02%
	9.51% LIC Housing Finance Co. Ltd. Mat 24-Jul-2019	1	1,023,337	0.02%
	11.15% Rural Electrification Corp Ltd Mat 24-Oct-2018	1	1,019,656	0.02%
	9.18% IDFC Bank Ltd NCD Mat 11-Jun-2024	1	1,018,581	0.02%
	8.90% IDFC Bank Ltd NCD Mat 29-Sep-2019	1	1,018,126	0.02%
	9.33% IDFC Bank Ltd NCD Mat 14-Mar-2026	1	1,017,528	0.02%
	8.36% Rural Electrification Corp Ltd Mat 22-SEP-2020	1	1,017,301	0.02%
	9.63% LIC Housing Finance Co. Ltd. Mat 22-Jan-2019	1	1,016,630	0.02%
	9.65% LIC Housing Finance Co. Ltd. Mat 01-Nov-2018	1	1,012,067	0.02%
	8.55% IRFC NCD Mat 15-Jan-2019	1	1,010,379	0.02%
	7.94% EXIM Bank Mat 22-May-2023	1	1,006,212	0.02%
	8.70% Power Grid NCD Mat 15-Jul-2018	1	1,003,755	0.02%
	10.75% Shriram Transport Finance-Series II Mat 24-Oct-2018	397	403,748	0.01%
Non-convertible Debenture Total		10,231,888	6,078,615,714	95.43%
Mutual Fund Units	Reliance Liquidity Fund - Direct Growth Plan - Growth Option	545	1,426,871	0.02%
Mutual Fund Units Total		545	1,426,871	0.02%
Net Current Assets		-	289,865,514	4.55%
Grand Total		10,232,433	6,369,908,099	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, 2018

Sr No	Particulars	Scheme C Tier I	
		March 31, 2018	March 31, 2017
1	NAV per unit (₹) I		
	Open	15.1039	13.4613
	High	16.0680	15.1531
	Low	15.0322	13.5316
	End	16.0665	15.1039
2	Closing Assets Under Management (₹ in Lakhs)		
	End	63,699.08	28,847.70
	Average daily net assets (AAuM) II	42,791.91	16,922.85
3	Gross income as % of AAuM III	8.05%	10.39%
4	Expense ratio		
a	Total expense as % of AAuM (scheme wise) IV	0.03%	0.03%
b	Management fee as % of AAuM (scheme wise) V	0.01%	0.01%
5	Net income as % of AAuM VI	5.85%	10.36%
6	Portfolio turnover ratio VII	7.97%	1.40%
7	Total dividend per unit distributed during the period	N.A.	N.A.
8	Returns: (%)		
a	Last one year	6.37%	12.20%
	Benchmark	5.35%	12.31%
b	Since inception	60.67%	51.04%
	Benchmark	58.13%	50.12%
c	Compound annualised yield (%) VIII		
	Last 1 year	6.37%	12.20%
	Last 2 year	9.25%	10.69%
	Last 3 year	9.23%	12.18%
	Since launch of the scheme	10.70%	11.91%
	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 = Total Income as per Revenue Account		
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 = Surplus / Deficit as per Revenue Account		
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, 2018

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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, 2018 and the Revenue Account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment or the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation

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Phone : 011 41513059 / 41513169

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

T R Chadha & Co LLP

Chartered Accountants

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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, 2018;
- b) in the case of the Revenue Account, of the surplus of the Scheme for the year ended on that date:

Report on Other Legal and Regulatory Requirements

7. As required by the PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended, we report that:

- a) We have obtained all information and explanations which to the best our knowledge and belief were necessary for the purpose of the audit.
- b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
- c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
- d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
- e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA.

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

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8. 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: Mumbai
Date:

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

NATIONAL PENSION SYSTEM TRUST

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

BALANCE SHEET AS AT MARCH 31, 2018

(In ₹)

Particulars	Schedule	Scheme C Tier II	
		March 31, 2018	March 31, 2017
Liabilities			
Unit Capital	1	168,706,548	62,979,573
Reserves & Surplus	2	87,162,816	26,583,325
Current Liabilities and Provisions	3	3,567,525	135,293
Total		259,436,889	89,698,191
Assets			
Investments	4	241,137,113	86,561,061
Deposits	5	-	-
Other Current Assets	6	18,299,776	3,137,130
Total		259,436,889	89,698,191
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		255,869,364	89,562,898
(b) Number of units outstanding		16,870,655	6,297,957
(c) NAV per unit (a)/(b) (₹)		15.1665	14.2209
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 16, 2018

For and on Behalf of NPS Trust

Ashvin Parekh
(Chairman, NPS Trust Board)

(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, 2018

(In ₹)

Particulars	Schedule	Scheme C Tier II	
		March 31, 2018	March 31, 2017
Income			
Interest		12,880,667	4,474,824
Profit on sale/redemption of investments		313,780	110,308
Unrealised gain on appreciation in investments		-	1,145,612
Total Income (A)		13,194,447	5,730,744
Expenses & Losses			
Unrealised losses in value of investments		3,347,202	-
Loss on sale/redemption of investments		194,493	-
Management fees (including Goods and Service tax/Service tax)		19,299	6,467
NPS Trust fees		16,422	5,626
Custodian fees		5,602	2,061
CRA fees		50,116	27,199
Less : Amount recoverable on sale of units on account of CRA Charges		(50,116)	(27,199)
Depository and settlement charges		2,444	632
Total Expenditure (B)		3,585,462	14,786
Surplus/(Deficit) for the year (A-B = C)		9,608,985	5,715,958
Less: Amount transferred to Unrealised appreciation account		1,224,361	(1,145,612)
Less: Amount transferred to General Reserve		(10,833,346)	(4,570,346)
Amount carried forward to Balance Sheet		-	-
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 16, 2018

For and on Behalf of NPS Trust

Ashvin Parekh
(Chairman, NPS Trust Board)

(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	Scheme C Tier II	
	March 31, 2018	March 31, 2017
Initial capital		
Unit capital		
Outstanding at the beginning of the year	62,979,573	25,261,091
Add :Units issued during the year	148,801,422	46,207,259
Less: Units redeemed during the year	(43,074,447)	(8,488,777)
Outstanding at the end of the year	168,706,548	62,979,573
(Face Value of Rs.10/- each unit, fully paid up)		
Outstanding units at the beginning of the year	6,297,957	2,526,109
Add :Units issued during the year	14,880,142	4,620,726
Less: Units redeemed during the year	(4,307,445)	(848,878)
Outstanding Units at the end of the year	16,870,655	6,297,957

Schedule 2: Reserves and surplus

(In ₹)

Particulars	Scheme C Tier II	
	March 31, 2018	March 31, 2017
Unit premium reserve		
Opening balance	18,989,030	4,840,262
Add: Premium on Units issued	71,907,437	17,263,916
Less: Premium on Units redeemed	(20,936,931)	(3,115,148)
Add: Transfer from General Reserve	-	-
Closing balance	69,959,536	18,989,030
General Reserve		
Opening balance	6,369,934	1,799,588
Add/(Less): Transfer from/(to) Revenue Account	10,833,346	4,570,346
Less: Transfer to Unit Premium Reserve	-	-
Closing balance	17,203,280	6,369,934
Unrealised Appreciation Reserve		
Opening balance	1,224,361	78,749
Add: Adjustment for Previous years unrealised appreciation reserve	-	-
Add/(Less): Transfer from/(to) Revenue Account	(1,224,361)	1,145,612
Closing balance	-	1,224,361
Total	87,162,816	26,583,325

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	Scheme C Tier II	
	March 31, 2018	March 31, 2017
Current liabilities & Provisions		
Sundry creditors for expenses	14,504	6,481
Redemption Payable	3,552,721	128,717
TDS Payable	300	95
Total	3,567,525	135,293

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	Scheme C Tier II	
	March 31, 2018	March 31, 2017
Debentures and Bonds Listed/Awaiting Listing	241,137,113	83,082,061
Others - Mutual Fund Units	-	3,479,000
Total	241,137,113	86,561,061

Schedule 5: Deposits**(In ₹)**

Particulars	Scheme C Tier II	
	March 31, 2018	March 31, 2017
Deposits with scheduled banks	-	-
Total	-	-

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

Particulars	Scheme C Tier II	
	March 31, 2018	March 31, 2017
Balances with banks in current account	296,659	5,797
Outstanding and accrued income	8,474,117	3,131,333
Application money pending allotment	9,529,000	-
Total	18,299,776	3,137,130

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, 2018

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 and Karvy Computershare Pvt.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), Karvy Computershare Pvt. Ltd 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 year end 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 eight separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C, G and A 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

Scheme A – Alternate Investment funds

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 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.

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.

Valuation of securities having call and/or Put options:

- a) Callable Bonds with single / daily / multiple call options will be valued at lowest value basis.
- b) Puttable Bonds with single / daily / multiple call options will be valued at highest value basis.
- c) The securities with both Call & Put options on the same day would be deemed to mature on the Call/Put day and will be valued accordingly.
- d) For perpetual bonds with single / daily / multiple call options, the price for all options dates till the maturity date will be computed and the lowest price will be used for valuing the bonds.

Valuation of Partly Paid up Bonds:

Partly paid bonds will be valued on the paid up value of the bonds till it is fully paid.

Valuation of debt securities below Investment grade of BBB-:

Valuation of performing non-government debt securities below Investment grade of BBB- at a discount of 25% to face value (as per SEBI guideline CIR MFD/CIR/8/92/2000 dated September 18,2000)

Valuation of Money Market Investment and Mutual Fund:

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

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	Scheme C Tier II	
	March 31, 2018	March 31, 2017
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 Panchohi	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, 2018

(In ₹)

Nature of Transaction	Scheme C Tier II	
	March 31, 2018	March 31, 2017
Investment management fees	19,299	6,467

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	Scheme C Tier II	
	March 31, 2018	March 31, 2017
Investment management fees payable	6,263	2,151

Aggregate investments made in the Associates and group companies as at March 31, 2018 are as follows:

(In ₹)

Name of the Company	Asset type	Scheme C Tier II			
		March 31, 2018		March 31, 2017	
		Cost	Market Value	Cost	Market Value
HDFC Ltd	NCD	7,255,280	7,247,472	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, 2018 are as follows:

(In ₹)

Name of the Company	Asset type	Scheme C Tier II			
		March 31, 2018		March 31, 2017	
		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, 2018 is as follows :

(In ₹)

Particular	Scheme C Tier II	
	March 31, 2018	March 31, 2017
Average Net Asset Value	164,220,724	56,258,447
Purchase of Investment	1,351,565,832	431,715,995
% to average Net Assets Value	823.02%	767.38%
Sale of Investment	1,189,221,427	375,760,251
% to average Net Assets Value	724.16%	667.92%

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, 2018 is as follows :

(In ₹)

Particular	Scheme C Tier II	
	March 31, 2018	March 31, 2017
Average Net Asset Value	164,220,724	56,258,447
Purchase of Investment	171,848,624	53,420,265
% to average Net Assets Value	104.64%	94.96%
Sale of Investment	5,711,447	NIL
% to average Net Assets Value	3.48%	NIL

*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	Scheme C Tier II			
	March 31, 2018		March 31, 2017	
	Market value	% of Industry Classification	Market value	% of Industry Classification
Other credit granting	58,007,547	22.67%	27,396,279	30.59%
Monetary intermediation of commercial / saving / postal banks	44,658,228	17.45%	12,673,500	14.15%
Activities of specialized institutions granting credit for house purchases	23,822,034	9.31%	6,374,316	7.12%
Electric Power Generation by Hydroelectric Power Plants	22,614,820	8.84%	-	0.00%
Electric Power Generation, Transmission and Distribution	20,004,234	7.82%	5,096,274	5.69%
Activity of commission agents dealing in wholesale trade in agriculture	18,108,552	7.08%	5,381,029	6.01%
Service activities incidental to water transportation	16,361,955	6.39%	5,294,320	5.91%
Transmission of Electric Energy	15,955,625	6.24%	8,283,880	9.25%
Electric power generation by coal based thermal power plants	13,348,010	5.22%	4,261,156	4.76%
Others	8,256,108	3.23%	8,321,307	9.29%
Mutual Funds	-	0.00%	3,479,000	3.88%
Net Current Assets	14,732,251	5.76%	3,001,837	3.35%
Net Asset Value	255,869,364	100.00%	89,562,898	100.00%

Note :

1. 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.

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

(In ₹)

Security Name	Asset Type	Ageing	Scheme C Tier II	
			March 31, 2018	March 31, 2017
Reliance Liquidity Fund - Direct Growth Plan - Growth Option	Liquid Mutual Fund	Less than 7 Days	9,529,000	NIL

2.8 Prior Year Comparatives :

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

2.9 Note on status of litigation matters with PFRDA

The Company is a wholly owned subsidiary of HDFC Standard Life Insurance Company Ltd. and has been a licensed pension fund manager since 2013. In 2014, the Pension Fund Regulatory & Development Authority ("PFRDA") issued a Request for Proposal ("RFP") inviting bids from Sponsors to select new pension fund managers. The bid of HDFC Life to this RFP was rejected by the PFRDA on the ground that it did not meet certain eligibility criteria under the RFP. The Hon'ble Delhi High Court, however, set aside the rejection, directing the PFRDA to grant a Letter of Appointment to HDFC Life thereby allowing the Company to continue its business. While the PFRDA issued a letter of appointment to HDFC Life, it also challenged the Hon'ble High Court's decision before the Hon'ble Supreme Court of India by way of a Special Leave Petition ("SLP"). The Hon'ble Supreme Court, by its order dated July 31, 2017, has dismissed the PFRDA's SLP and refused to interfere with the Hon'ble High Court's decision. Accordingly, the Letter of Appointment issued to HDFC Life stands unqualified, with the appointment of HDFC Pension as a pension fund manager being confirmed.

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

3. PORTFOLIO STATEMENT AS ON MARCH 31, 2018

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Non-convertible Debenture	8.54% NHPC NCD Mat 26-November-2026.	170	17,503,394	6.84%
	9.95% Food Corporation of India Ltd Mat 07-Mar-2022	14	14,992,989	5.86%
	8.14% Nuclear Power Corp. Mat 25-Mar-2026(Tranche A)	13	13,193,643	5.16%
	8.49% NTPC NCD Mat 25-Mar-2025	880,000	11,238,040	4.39%
	8.67% IDFC Bank Ltd NCD Mat 03-Jan-2025	10	10,317,032	4.03%
	8.45% Reliance Ports and Terminal Ltd NCD Mat 12-Jun-2023	9	9,245,436	3.61%
	9.34% Rural Electrification Corp Ltd Mat 25-Aug-2024	8	8,501,949	3.32%
	9.60% EXIM Bank NCD Mat 07-FEB-2024	5	5,353,349	2.09%
	9.25% EXIM Bank NCD Mat 18-April-2022	5	5,254,520	2.05%
	9.02% Rural Electrification Corp Ltd Mat 19-Nov-2022	5	5,229,926	2.04%
	8.22% NABARD NCD Mat 25-Feb-2028	5	5,127,739	2.00%
	8.49% NHPC NCD Mat 26-November-2024	50	5,111,426	2.00%
	7.90% Reliance Ports and Terminal Ltd NCD Mat 18-Nov-2026	5	4,957,542	1.94%
	7.55% Power Grid NCD Mat 21-Sep-2031	5	4,812,050	1.88%
	9.20% Power Finance Corp Ltd Mat 07-Jul-2021	4	4,181,151	1.63%
	8.70% IDFC Bank Ltd NCD Mat 20-May-2025	4	4,139,813	1.62%
	8.90% HDFC Ltd Mat 18-Aug-2020	4	4,111,971	1.61%
	8.50% LIC Housing Finance Co. Ltd. Mat 29-Aug-2025	4	4,096,672	1.60%
	9.00% LIC Housing Finance Ltd. Mat 09-April-2023	3	3,147,296	1.23%
	8.95% HDFC Ltd Mat 21-Mar-2023	3	3,135,501	1.23%
	8.65% Power Finance Corporation Ltd.Mat-28-Dec-2024	3	3,091,899	1.21%
	8.95% LIC Housing Finance Co. Ltd. Mat 15-Sep-2020	3	3,088,586	1.21%
	8.40% Power Grid NCD Mat 27-May-2024	3	3,051,014	1.19%
	8.18% EXIM Bank NCD Mat 07-Dec-2025	3	3,021,377	1.18%
	8.11% Rural Electrification Corp Ltd Mat 07-Oct-2025	3	3,009,559	1.18%
	7.40% Power Finance Corporation Ltd.Mat 30-Sep-2021.	3	2,983,686	1.17%
	7.25% Nuclear Power Corp. Mat 15-Dec-2028 (SR-XXXIII TRCH-B)	3	2,871,510	1.12%
	7.27% IRFC NCD Mat 15-June-2027	3	2,861,409	1.12%
	8.68% Power Grid NCD Mat 07-Dec-2020	2	2,564,124	1.00%
	10.40% Reliance Ports and Terminal Ltd NCD Mat 18-Jul-2021	2	2,158,977	0.84%
	9.30% Power Grid NCD Mat 04-Sep-2024	2	2,122,014	0.83%
	9.70% Power Finance Corporation Ltd.Mat 09-Jun-2021	2	2,116,314	0.83%
	8.95%IRFC NCD Mat 10-Mar-2025	2	2,112,902	0.83%
	9.17% IDFC Bank Ltd NCD Mat 14-Oct-2024	2	2,110,803	0.82%
	9.17% NTPC NCD Mat 22-Sep-2024	2	2,109,970	0.82%
	9.40% Rural Electrification Corp Ltd Mat 17-July-2021	2	2,102,437	0.82%
	8.90% IDFC Bank Ltd NCD Mat 19-Nov-2025	2	2,093,811	0.82%
	8.75% IDFC Bank Ltd NCD Mat 28-Jul-2023	2	2,074,109	0.81%
	8.70% Power Finance Corporation Ltd.Mat 14-May-2025	2	2,069,869	0.81%
	8.62% Food Corporation of India Ltd Mat 22-Mar-2023	2	2,062,069	0.81%
	8.55% Power Finance Corporation Ltd.Mat 09-Dec-2021	2	2,052,343	0.80%
	8.94% Bajaj Finance Ltd NCD Mat 07-Nov-2025	2	2,047,794	0.80%
	9.20% Capital First Ltd Mat 22-Jan-2021	2	2,037,574	0.80%
	8.39% Power Finance Corporation Ltd.Mat-19-Apr-2025	2	2,036,656	0.80%
	7.74%IRFC NCD Mat 22-Dec-2020	2	2,015,607	0.79%
	7.25% Nuclear Power Corp. Mat 15-Dec-2031 (SR-XXXIII TRCH-E)	2	1,891,364	0.74%
	9.30% Power Grid NCD Mat 28-Jun-2026	1	1,341,494	0.52%
	8.83% IRFC NCD Mat 14-May-2034	1	1,083,627	0.42%
	9.46% Power Finance Corporation Ltd.Mat 01-Aug-2026	1	1,083,089	0.42%
	10.15% Bajaj Finance Ltd NCD Mat 19-Sep-2024	1	1,080,092	0.42%
	8.83% IRFC NCD Mat 14-May-2031	1	1,079,762	0.42%
	10.25% Shriram Transport Fin NCD Mat 10-Oct-2024	1	1,075,570	0.42%
	9.69% Tata Sons Ltd NCD Mat 12-Jun-2022	1	1,065,663	0.42%
	9.39% Power Finance Corporation Ltd.Mat 27-Aug-2024	1	1,065,229	0.42%
	10% Shriram Transport Fin NCD Mat 13-Nov-2024	1	1,064,270	0.42%
	9.36% IDFC Bank Ltd NCD Mat 21-Aug-2024	1	1,063,651	0.42%
	9.22% LIC Housing Finance Co. Ltd. Mat 16-Oct-2024	1	1,057,905	0.41%
	9.30% LIC Housing Finance Ltd. Mat 14-Sep-2022	1	1,054,577	0.41%
	8.80% Food Corporation of India Ltd Mat 22-Mar-2028	1	1,053,494	0.41%
	9.45% LIC Housing Finance Co. Ltd. Mat 30-Jan-2022	1	1,053,132	0.41%
	9.60% LIC Housing Finance Ltd. Mat 07-Mar-2021	1	1,051,687	0.41%
	9.75% EXIM Bank NCD Mat 04-Oct-2020	1	1,047,554	0.41%
	8.93% Power Grid NCD Mat 20-Oct-2021	1	1,040,542	0.41%
	8.75% Power Finance Corporation Ltd. Mat 15-Jun-2025	1	1,037,557	0.41%
	8.85% Power Finance Corporation Ltd.Mat 31-May-2021	1	1,034,697	0.40%
	8.64% IRFC NCD Mat 17-May-2021	1	1,033,562	0.40%
	8.73% IDFC Bank Ltd NCD Mat 14-Jun-2022	1	1,032,462	0.40%
	10.35% United Phosphorus Ltd. NCD Mat 08-Jun-2019	1	1,029,161	0.40%
	8.40% Nuclear Power Corp. Mat 28-Nov-2025 (SR-XXIX TRCH-A)	1	1,029,048	0.40%
	8.44% Rural Electrification Corp Ltd Mat 04-Dec-2021	1	1,027,614	0.40%
	9.45% LIC Housing Finance Co. Ltd. Mat 10-Sep-2019	1	1,024,739	0.40%
	8.32% Power Grid NCD Mat 23-Dec-2030	1	1,024,387	0.40%
	8.25% EXIM Bank NCD Mat 23-Jun-2031	1	1,019,394	0.40%
	9.15% Shriram Transport Fin NCD Mat 13-Apr-2021	1	1,019,289	0.40%
	8.14% Nuclear Power Corp. Mat 25-Mar-2027 (Tranche B)	1	1,018,669	0.40%
	8.75% Mahindra and Mahindra Financial Services Ltd Mat 09-Oct-2025	1	1,013,418	0.40%
	8.69% IL&FS Ltd. NCD Mat 25-Aug-2025	1,000	1,010,105	0.39%
	8.55% Bajaj Finance Ltd NCD Mat 26-Apr-2021	1	1,009,875	0.39%
	8.10% EXIM Bank NCD Mat 19-Nov-2025.	1	1,002,614	0.39%
7.59% LIC Housing Finance Ltd. Mat 14-Oct-2021	1	999,968	0.39%	
Non-convertible Debenture Total		881,419	241,137,113	94.24%
Net Current Assets		-	14,732,251	5.76%
Grand Total		881,419	255,869,364	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, 2018

Sr No	Particulars	Scheme C Tier II	
		March 31, 2018	March 31, 2017
1	NAV per unit (₹) I		
	Open	14.2209	12.6596
	High	15.1665	14.294
	Low	14.1662	12.7169
	End	15.1665	14.2209
2	Closing Assets Under Management (₹ in Lakhs)		
	End	2,558.69	895.63
	Average daily net assets (AAuM) II	1,642.21	562.58
3	Gross income as % of AAuM III	8.03%	10.19%
4	Expense ratio		
a	Total expense as % of AAuM (scheme wise) IV	0.03%	0.03%
b	Management fee as % of AAuM (scheme wise) V	0.01%	0.01%
5	Net income as % of AAuM VI	5.85%	10.16%
6	Portfolio turnover ratio VII	3.48%	94.96%
7	Total dividend per unit distributed during the period	N.A.	N.A.
8	Returns: (%) VIII		
a	Last one year	6.65%	12.33%
	Benchmark	5.35%	12.31%
b	Since inception	51.67%	42.21%
	Benchmark	58.13%	50.12%
c	Compound annualised yield (%) IX		
	Last 1 year	6.65%	12.33%
	Last 2 year	9.45%	10.62%
	Last 3 year	9.28%	10.25%
	Since launch of the scheme	9.34%	10.08%
	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 = Total Income as per Revenue Account		
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 = Surplus / Deficit as per Revenue Account		
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	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 Corporate Bonds and till the time investable amount reaches this threshold, it is invested temporarily in liquid and money market schemes of mutual funds. Due to small size of the fund this has affected the fund performance. 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, 2018

Contents

Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

T R Chadha & Co LLP

Chartered Accountants

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Off. Ganpatrao Kadam Marg
Opp. Peninsula Corporate Park
Lower Parel, Mumbai – 400 013
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Fax.: 022-49669023
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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 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, 2018 and the Revenue Account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment or the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation

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 ❖ TIRUPATI

T R Chadha & Co LLP

Chartered Accountants

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Off. Ganpatrao Kadam Marg
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Lower Parel, Mumbai – 400 013
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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, 2018;
- b) in the case of the Revenue Account, of the surplus of the Scheme for the year ended on that date:

Report on Other Legal and Regulatory Requirements

7. As required by the PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended, we report that:

- a) We have obtained all information and explanations which to the best our knowledge and belief were necessary for the purpose of the audit.
- b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
- c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
- d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
- e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA.

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T R Chadha & Co LLP

Chartered Accountants

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8. 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: Mumbai
Date:

Corporate Office : B-30, Connaught Place, Kuthiala Building, New Delhi – 110001
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NATIONAL PENSION SYSTEM TRUST

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

BALANCE SHEET AS AT MARCH 31, 2018

(In ₹)

Particulars	Schedule	Scheme G Tier I	
		March 31, 2018	March 31, 2017
Liabilities			
Unit Capital	1	5,421,081,092	2,540,074,900
Reserves & Surplus	2	2,990,970,142	1,228,516,574
Current Liabilities and Provisions	3	173,799,868	2,048,306
Total		8,585,851,102	3,770,639,780
Assets			
Investments	4	8,180,744,210	3,705,684,086
Deposits	5	-	-
Other Current Assets	6	405,106,892	64,955,694
Total		8,585,851,102	3,770,639,780
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		8,412,051,234	3,768,591,474
(b) Number of units outstanding		542,108,109	254,007,490
(c) NAV per unit (a)/(b) (₹)		15.5172	14.8365
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 16, 2018

For and on Behalf of NPS Trust

Ashvin Parekh
(Chairman, NPS Trust Board)

(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, 2018

(In ₹)

Particulars	Schedule	Scheme G Tier I	
		March 31, 2018	March 31, 2017
Income			
Interest		408,903,076	154,917,298
Profit on sale/redemption of investments		17,531,864	44,013,261
Unrealised gain on appreciation in investments		105,614	-
Total Income (A)		426,540,554	198,930,559
Expenses & Losses			
Unrealised losses in value of investments		152,931,940	10,853,293
Loss on sale/redemption of investments		36,128,405	559,625
Management fees (including Goods and Service tax/Service tax)		657,873	244,083
NPS Trust fees		560,208	212,343
Custodian fees		188,026	75,115
CRA fees		8,629,553	7,699,709
Less : Amount recoverable on sale of units on account of CRA Charges		(8,629,553)	(7,699,709)
Depository and settlement charges		137,475	42,811
Total Expenditure (B)		190,603,927	11,987,270
Surplus/(Deficit) for the year (A-B = C)		235,936,627	186,943,289
Less: Amount transferred to Unrealised appreciation account		5,108,175	10,853,293
Less: Amount transferred to General Reserve		(241,044,802)	(197,796,582)
Amount carried forward to Balance Sheet		-	-
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

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 16, 2018

For and on Behalf of NPS Trust

Ashvin Parekh
(Chairman, NPS Trust Board)

(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	Scheme G Tier I	
	March 31, 2018	March 31, 2017
Initial capital		
<u>Unit capital</u>		
Outstanding units at the beginning of the year	2,540,074,900	895,774,852
Add :Units issued during the year	3,069,565,427	1,697,554,751
Less: Units redeemed during the year	(188,559,235)	(53,254,703)
Closing balance	5,421,081,092	2,540,074,900
(Face Value of Rs.10/- each unit, fully paid up)		
Outstanding units at the beginning of the year	254,007,490	89,577,485
Add :Units issued during the year	306,956,543	169,755,475
Less: Units redeemed during the year	(18,855,924)	(5,325,470)
Outstanding Units at the end of the year	542,108,109	254,007,490

Schedule 2: Reserves and surplus

(In ₹)

Particulars	Scheme G Tier I	
	March 31, 2018	March 31, 2017
Unit premium reserve		
Opening balance	985,562,329	232,370,792
Add: Premium on Units issued	1,626,219,475	777,092,524
Less: Premium on Units redeemed	(99,702,534)	(23,900,987)
Add: Transfer from General Reserve	-	-
Closing balance	2,512,079,270	985,562,329
General Reserve		
Opening balance	237,740,456	39,943,874
Add/(Less): Transfer from Revenue Account	241,044,802.00	197,796,582
Less: Transfer to Unit Premium Reserve	-	-
Closing balance	478,785,258	237,740,456
Unrealised Appreciation Reserve		
Opening balance	5,213,789	16,067,082
Add: Adjustment for Previous years unrealised appreciation reserve	-	-
Add/(Less): Transfer from Revenue Account	(5,108,175)	(10,853,293)
Closing balance	105,614	5,213,789
Total	2,990,970,142	1,228,516,574

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	Scheme G Tier I	
	March 31, 2018	March 31, 2017
Current liabilities & Provisions		
Sundry creditors for expenses	491,539	263,785
Redemption Payable	4,123,182	1,780,712
TDS Payable	10,703	3,809
Contracts for purchase of investments	169,174,444	-
Total	173,799,868	2,048,306

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	Scheme G Tier I	
	March 31, 2018	March 31, 2017
Central and state government securities (including treasury bills)	8,099,047,596	3,561,876,086
Others - Mutual Fund Units	81,696,614	143,808,000
Total	8,180,744,210	3,705,684,086

Schedule 5: Deposits

(In ₹)

Particulars	Scheme G Tier I	
	March 31, 2018	March 31, 2017
Deposits with scheduled banks	-	-
Total	-	-

Schedule 6: Other current assets

(In ₹)

Particulars	Scheme G Tier I	
	March 31, 2018	March 31, 2017
Balances with banks in current account	41,666,204	25,355
Contracts for sale of investments	158,215,986	-
Outstanding and accrued income	142,498,180	64,930,339
Brokerage receivable from PFM	5,000	-
Application money pending allotment	46,352,000	-
Sundry debtors	16,369,522	-
Total	405,106,892	64,955,694

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, 2018

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 and Karvy Computershare Pvt.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), Karvy Computershare Pvt.Ltd 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 year end 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 eight separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C, G and A 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

Scheme A – Alternate Investment funds

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 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, State 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 the aggregated prices received from independent valuation agencies CRISIL & ICRA on the particular valuation day.

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	Scheme G Tier I	
	March 31, 2018	March 31, 2017
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, 2018

(In ₹)

Nature of Transaction	Scheme G Tier I	
	March 31, 2018	March 31, 2017
Investment management fees	657,873	244,083

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	Scheme G Tier I	
	March 31, 2018	March 31, 2017
Investment management fees payable	199,042	81,818

Aggregate investments made in the Associates and group companies as at March 31, 2018 are as follows:

(In ₹)

Name of the Company	Asset type	Scheme G Tier I			
		March 31, 2018		March 31, 2017	
		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, 2018 are as follows:

(In ₹)

Name of the Company	Asset type	Scheme G Tier I			
		March 31, 2018		March 31, 2017	
		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, 2018 is as follows :

(In ₹)

Particular	Scheme G Tier I	
	March 31, 2018	March 31, 2017
Average Net Asset Value	5,602,076,481	2,123,428,725
Purchase of Investment	44,485,436,396	12,122,123,991
% to average Net Assets Value	794.09%	570.88%
Sale of Investment	39,757,532,064	9,571,891,712
% to average Net Assets Value	709.69%	450.78%

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

Notes to accounts

Aggregate value of purchase and sale (excluding liquid mutual fund)* with percentage to average assets as at March 31, 2018 is as follows :

(In ₹)

Particular	Scheme G Tier I	
	March 31, 2018	March 31, 2017
Average Net Asset Value	5,602,076,481	2,123,428,725
Purchase of Investment	7,161,154,396	3,618,890,488
% to average Net Assets Value	127.83%	170.43%
Sale of Investment	2,360,598,869	1,196,664,589
% to average Net Assets Value	42.14%	56.36%

*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	Scheme G Tier I			
	March 31, 2018		March 31, 2017	
	Market value	% of Industry Classification	Market value	% of Industry Classification
Central Government Securities	7,692,213,311	91.44%	3,290,710,179	87.32%
State Development Loans	406,834,285	4.84%	271,165,907	7.20%
Mutual Funds	81,696,614	0.97%	143,808,000	3.82%
Net Current Assets	231,307,024	2.75%	62,907,388	1.67%
Net Asset Value	8,412,051,234	100.00%	3,768,591,474	100.00%

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

(In ₹)

Security Name	Asset Type	Ageing	Scheme G Tier I	
			March 31, 2018	March 31, 2017
Birla Sun Life Cash Plus - Growth - Direct Plan	Liquid Mutual Fund	Less than 7 days	46,352,000	NIL

2.8 Prior Year Comparatives :

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

2.9 Note on status of litigation matters with PFRDA

The Company is a wholly owned subsidiary of HDFC Standard Life Insurance Company Ltd. and has been a licensed pension fund manager since 2013. In 2014, the Pension Fund Regulatory & Development Authority ("PFRDA") issued a Request for Proposal ("RFP") inviting bids from Sponsors to select new pension fund managers. The bid of HDFC Life to this RFP was rejected by the PFRDA on the ground that it did not meet certain eligibility criteria under the RFP. The Hon'ble Delhi High Court, however, set aside the rejection, directing the PFRDA to grant a Letter of Appointment to HDFC Life thereby allowing the Company to continue its business. While the PFRDA issued a letter of appointment to HDFC Life, it also challenged the Hon'ble High Court's decision before the Hon'ble Supreme Court of India by way of a Special Leave Petition ("SLP"). The Hon'ble Supreme Court, by its order dated July 31, 2017, has dismissed the PFRDA's SLP and refused to interfere with the Hon'ble High Court's decision. Accordingly, the Letter of Appointment issued to HDFC Life stands unqualified, with the appointment of HDFC Pension as a pension fund manager being confirmed.

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

3. PORTFOLIO STATEMENT AS ON MARCH 31, 2018

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Government Securities	8.17% GOI Mat 01-Dec-2044	6,478,000	677,026,145	8.05%
	6.68% GOI Mat 17-Sep-2031	5,450,000	503,362,000	5.98%
	9.23% GOI Mat 23-Dec-2043	4,100,100	478,032,299	5.68%
	8.24% GOI Mat 10-Nov-2033	4,546,200	476,739,536	5.67%
	8.33% GOI Mat 09-Jul-2026	3,987,100	415,455,820	4.94%
	8.60% GOI Mat 02-Jun-2028	3,733,800	395,985,545	4.71%
	7.59% GOI Mat 20-Mar-2029	3,950,000	392,630,000	4.67%
	7.73% GOI Mat 19-Dec-2034	3,879,700	389,133,910	4.63%
	8.32% GOI Mat 02-Aug-2032	3,688,900	387,956,817	4.61%
	8.83% GOI Mat 12-Dec-2041	3,376,600	378,179,200	4.50%
	8.15% GOI Mat 24-Nov-2026	3,589,100	370,036,210	4.40%
	8.24% GOI Mat 15-Feb-2027	3,077,700	318,387,449	3.78%
	8.30% GOI Mat 31-Dec-2042	2,976,100	316,136,520	3.76%
	7.61% GOI Mat 09-May-2030	3,081,000	307,068,481	3.65%
	8.28% GOI Mat 21-Sep-2027	2,733,700	283,790,318	3.37%
	8.28% GOI Mat 15-Feb-2032	2,198,800	230,707,331	2.74%
	7.59% GOI Mat 11-Jan-2026	2,000,000	199,400,000	2.37%
	7.88% GOI Mat 19-Mar-2030	1,860,700	188,395,875	2.24%
	9.20% GOI Mat 30-Sep-2030	1,409,400	157,162,194	1.87%
	8.30% GOI Mat 02-Jul-2040	1,389,000	147,069,265	1.75%
	8.13% GOI Mat 22-Jun-2045	1,264,600	131,903,471	1.57%
	8.97% GOI Mat 05-Dec-2030	1,000,000	110,106,900	1.31%
	8.40% GOI Mat 28-Jul-2024	1,010,600	105,456,110	1.25%
	8.20% GOI Mat 24-Sep-2025	972,400	100,636,399	1.20%
	8.33% GOI Mat-07-Jun-2036	768,400	81,712,040	0.97%
	6.97% GOI Mat 06-Sep-2026	500,000	48,197,250	0.57%
	6.79% GOI Mat 15-May-2027	500,000	47,515,000	0.56%
	7.95% GOI Mat 28-Aug-2032	315,600	32,191,200	0.38%
	7.50% GOI Mat 10-Aug-2034	180,000	17,725,950	0.21%
	8.26% GOI Mat 02-Aug-2027	24,900	2,582,334	0.03%
	7.72% GOI Mat 25-May-2025	10,000	1,010,000	0.01%
	7.28% GOI Mat 03-Jun-2019	3,900	393,042	0.00%
	7.16% GOI Mat 20-May-2023	1,300	128,700	0.00%
Government Securities Total		74,057,600	7,692,213,311	91.44%
State Development Loans	9.84% Andhra Pradesh SDL Mat 26-Feb-2024	500,000	54,440,501	0.65%
	9.22% Maharashtra SDL Mat 15-May-2024	500,000	53,141,350	0.63%
	7.88% Andhra Pradesh SDL Mat 15-Mar-2027	500,000	49,870,250	0.59%
	8.36% Maharashtra SDL Mat 27-Jan-2026	460,000	47,239,838	0.56%
	7.96% Maharashtra SDL Mat 29-Jun-2026	470,000	47,233,637	0.56%
	8.47% Maharashtra SDL Mat 10-Feb-2026	450,000	46,461,465	0.55%
	7.66% Andhra Pradesh SDL Mat 29-Nov-2027	450,000	44,283,015	0.53%
	8.67% Maharashtra SDL Mat 24-Feb-2026	300,000	31,354,350	0.37%
	8.72% Andhra Pradesh SDL Mat 24-Feb-2026	100,000	10,471,590	0.12%
	8.00% Tamil Nadu SDL Mat 28-Oct-2025	80,000	8,044,200	0.10%
	8.24% Andhra Pradesh SDL Mat 09-Sep-2025	43,300	4,409,568	0.05%
	8.44% Tamil Nadu SDL Mat 26-Nov-2024	40,500	4,161,812	0.05%
	8.17% Tamil Nadu SDL Mat 26-Nov-2025	24,600	2,497,183	0.03%
	9.77% Andhra Pradesh SDL Mat 28-Aug-2023	10,000	1,081,718	0.01%
9.49% Tamil Nadu SDL Mat 18-Dec-2023	10,000	1,073,967	0.01%	
9.39% Maharashtra SDL Mat 20-Nov-2023	10,000	1,069,841	0.01%	
State Development Loans Total		3,948,400	406,834,285	4.84%
Mutual Fund Units	Birla Sun Life Cash Plus - Growth - Direct Plan	292,560	81,696,614	0.97%
Mutual Fund Units Total		292,560	81,696,614	0.97%
Net Current Assets		-	231,307,024	2.75%
Grand Total		78,298,560	8,412,051,234	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, 2018

Sr No	Particulars	Scheme G Tier I	
		March 31, 2018	March 31, 2017
1	NAV per unit (₹) I		
	Open	14.8365	13.2193
	High	15.6564	15.6015
	Low	14.6982	13.2556
	End	15.5172	14.8365
2	Closing Assets Under Management (₹ in Lakhs)		
	End	84,120.51	37,685.91
	Average daily net assets (AAuM) II	56,020.76	21,234.29
3	Gross income as % of AAuM III	7.61%	9.37%
4	Expense ratio		
a	Total expense as % of AAuM (scheme wise) IV	0.03%	0.03%
b	Management fee as % of AAuM (scheme wise) V	0.01%	0.01%
5	Net income as % of AAuM VI	4.21%	8.80%
6	Portfolio turnover ratio VII	42.14%	56.36%
7	Total dividend per unit distributed during the period	N.A.	N.A.
8	Returns: (%)		
a	Last one year	4.59%	12.23%
	Benchmark	3.50%	11.90%
b	Since inception	55.17%	48.37%
	Benchmark	51.36%	46.22%
c	Compound annualised yield (%) VIII		
	Last 1 year	4.59%	12.23%
	Last 2 year	8.34%	9.47%
	Last 3 year	7.82%	12.83%
	Since launch of the scheme	9.87%	11.36%
	Launch Date	August 01, 2013	
I	NAV = (Market value of investment held by scheme + value of current assets - value of current liability and provisions, if any) / (no. of units at the valuation date (before creation/ redemption of units))		
II	AAuM = Average daily net assets		
III	Gross income = Total Income as per Revenue Account		
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 = Surplus / Deficit as per Revenue Account		
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, 2018

Contents

Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

T R Chadha & Co LLP

Chartered Accountants

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Off. Ganpatrao Kadam Marg
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Lower Parel, Mumbai – 400 013
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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 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, 2018 and the Revenue Account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment or the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation

Corporate Office : B-30, Connaught Place, Kuthiala Building, New Delhi – 110001
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Phone : 011 41513059 / 41513169

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

T R Chadha & Co LLP

Chartered Accountants

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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, 2018;
- b) in the case of the Revenue Account, of the surplus of the Scheme for the year ended on that date:

Report on Other Legal and Regulatory Requirements

7. As required by the PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended, we report that:

- a) We have obtained all information and explanations which to the best our knowledge and belief were necessary for the purpose of the audit.
- b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
- c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
- d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
- e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA.

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T R Chadha & Co LLP

Chartered Accountants

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Off. Ganpatrao Kadam Marg
Opp. Peninsula Corporate Park
Lower Parel, Mumbai – 400 013
Tel.: 022-49669000
Fax.: 022-49669023
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8. 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: Mumbai
Date:

Corporate Office : B-30, Connaught Place, Kuthiala Building, New Delhi – 110001
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NATIONAL PENSION SYSTEM TRUST

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

BALANCE SHEET AS AT MARCH 31, 2018

(In ₹)

Particulars	Schedule	Scheme G Tier II	
		March 31, 2018	March 31, 2017
Liabilities			
Unit Capital	1	146,720,932	63,342,401
Reserves & Surplus	2	86,055,805	32,639,211
Current Liabilities and Provisions	3	619,950	160,772
Total		233,396,687	96,142,384
Assets			
Investments	4	228,783,380	94,317,239
Deposits	5	-	-
Other Current Assets	6	4,613,307	1,825,145
Total		233,396,687	96,142,384
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		232,776,737	95,981,612
(b) Number of units outstanding		14,672,093	6,334,240
(c) NAV per unit (a)/(b) (₹)		15.8652	15.1528
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 16, 2018

For and on Behalf of NPS Trust

Ashvin Parekh
(Chairman, NPS Trust Board)

(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, 2018

(In ₹)

Particulars	Schedule	Scheme G Tier II	
		March 31, 2018	March 31, 2017
Income			
Interest		12,035,174	3,866,043
Profit on sale/redemption of investments		310,114	98,707
Unrealised gain on appreciation in investments		8,520	69,181
Total Income (A)		12,353,808	4,033,931
Expenses & Losses			
Unrealised losses in value of investments		6,387,594	-
Loss on sale/redemption of investments		77,000	-
Management fees (including Goods and Service tax/Service tax)		19,310	6,103
NPS Trust fees		16,434	5,309
Custodian fees		5,552	1,847
CRA fees		61,102	32,069
Less : Amount recoverable on sale of units on account of CRA Charges		(61,102)	(32,069)
Depository and settlement charges		2,702	850
Total Expenditure (B)		6,508,592	14,109
Surplus/(Deficit) for the year (A-B = C)		5,845,216	4,019,822
Less: Amount transferred to Unrealised appreciation account		303,788	(69,181)
Less: Amount transferred to General Reserve		(6,149,004)	(3,950,641)
Amount carried forward to Balance Sheet		-	-
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 16, 2018

For and on Behalf of NPS Trust

Ashvin Parekh
(Chairman, NPS Trust Board)

(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	Scheme G Tier II	
	March 31, 2018	March 31, 2017
Initial capital		
<u>Unit capital</u>		
Outstanding units at the beginning of the year	63,342,401	17,424,438
Add :Units issued during the year	123,514,625	51,281,374
Less: Units redeemed during the year	(40,136,094)	(5,363,411)
Closing balance	146,720,932	63,342,401
(Face Value of Rs.10/- each unit, fully paid up)		
Outstanding units at the beginning of the year	6,334,240	1,742,444
Add :Units issued during the year	12,351,462	5,128,137
Less: Units redeemed during the year	(4,013,609)	(536,341)
Outstanding Units at the end of the year	14,672,093	6,334,240

Schedule 2: Reserves and surplus

(In ₹)

Particulars	Scheme G Tier II	
	March 31, 2018	March 31, 2017
Unit premium reserve		
Opening balance	27,473,179	4,979,476
Add: Premium on Units issued	70,150,439	25,127,368
Less: Premium on Units redeemed	(22,579,061)	(2,633,665)
Closing balance	75,044,557	27,473,179
General Reserve		
Opening balance	4,853,723	903,082
Add/(Less): Transfer from/(to) Revenue Account	6,149,004	3,950,641
Closing balance	11,002,727	4,853,723
Unrealised Appreciation Reserve		
Opening balance	312,309	243,128
Add: Adjustment for Previous years unrealised appreciation reserve	-	-
Add/(Less): Transfer from/(to) Revenue Account	(303,788)	69,181
Closing balance	8,521	312,309
Total	86,055,805	32,639,211

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	Scheme G Tier II	
	March 31, 2018	March 31, 2017
Current liabilities & Provisions		
Sundry creditors for expenses	13,817	6,564
Redemption Payable	605,859	154,110
TDS Payable	274	98
Total	619,950	160,772

* 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	Scheme G Tier II	
	March 31, 2018	March 31, 2017
Central and state government securities (including treasury bills)	222,192,860	91,752,239
Others - Mutual Fund Units	6,590,520	2,565,000
Total	228,783,380	94,317,239

Schedule 5: Deposits**(In ₹)**

Particulars	Scheme G Tier II	
	March 31, 2018	March 31, 2017
Deposits with scheduled banks	-	-
Total	-	-

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

Particulars	Scheme G Tier II	
	March 31, 2018	March 31, 2017
Balances with bank in current account	107,390	5,067
Outstanding and accrued income	4,349,917	1,820,078
Application money pending allotment	156,000	-
Total	4,613,307	1,825,145

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, 2018

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 and Karvy Computershare Pvt.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), Karvy Computershare Pvt.Ltd 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 year end 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 eight separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C, G and A 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

Scheme A – Alternate Investment funds

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 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, State 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 the aggregated prices received from independent valuation agencies CRISIL & ICRA on the particular valuation day.

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	Scheme G Tier II	
	March 31, 2018	March 31, 2017
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, 2018

(In ₹)

Nature of Transaction	Scheme G Tier II	
	March 31, 2018	March 31, 2017
Investment management fees	19,310	6,103

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	Scheme G Tier II	
	March 31, 2018	March 31, 2017
Investment management fees payable	5,863	2,158

Aggregate investments made in the Associates and group companies as at March 31, 2018 are as follows:

(In ₹)

Name of the Company	Asset type	Scheme G Tier II			
		March 31, 2018		March 31, 2017	
		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, 2018 are as follows:

(In ₹)

Name of the Company	Asset type	Scheme G Tier II			
		March 31, 2018		March 31, 2017	
		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, 2018 is as follows :

(In ₹)

Particular	Scheme G Tier II	
	March 31, 2018	March 31, 2017
Average Net Asset Value	164,339,692	53,089,410
Purchase of Investment	1,299,339,974	282,028,540
% to average Net Assets Value	790.64%	531.23%
Sale of Investment	1,156,337,550	209,814,121
% to average Net Assets Value	703.63%	395.21%

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, 2018 is as follows :

(In ₹)

Particular	Scheme G Tier II	
	March 31, 2018	March 31, 2017
Average Net Asset Value	164,339,692	53,089,410
Purchase of Investment	147,634,971	71,335,539
% to average Net Assets Value	89.84%	134.37%
Sale of Investment	8,339,436	1,336,797
% to average Net Assets Value	5.07%	2.52%

*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	Scheme G Tier II			
	March 31, 2018		March 31, 2017	
	Market value	% of Industry Classification	Market value	% of Industry Classification
Central Government Securities	204,370,853	87.80%	88,050,022	91.74%
State Development Loans	17,822,007	7.66%	3,702,217	3.86%
Mutual Funds	6,590,520	2.83%	2,565,000	2.67%
Net Current Assets	3,993,357	1.72%	1,664,373	1.73%
Net Asset Value	232,776,737	100.00%	95,981,612	100.00%

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

(In ₹)

Security Name	Asset Type	Ageing	Scheme G Tier II	
			March 31, 2018	March 31, 2017
Birla Sun Life Cash Plus - Growth - Direct Plan	Liquid Mutual Funds	Less than 7 Days	156,000	NIL

2.8 Prior Year Comparatives :

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

2.9 Note on status of litigation matters with PFRDA

The Company is a wholly owned subsidiary of HDFC Standard Life Insurance Company Ltd. and has been a licensed pension fund manager since 2013. In 2014, the Pension Fund Regulatory & Development Authority ("PFRDA") issued a Request for Proposal ("RFP") inviting bids from Sponsors to select new pension fund managers. The bid of HDFC Life to this RFP was rejected by the PFRDA on the ground that it did not meet certain eligibility criteria under the RFP. The Hon'ble Delhi High Court, however, set aside the rejection, directing the PFRDA to grant a Letter of Appointment to HDFC Life thereby allowing the Company to continue its business. While the PFRDA issued a letter of appointment to HDFC Life, it also challenged the Hon'ble High Court's decision before the Hon'ble Supreme Court of India by way of a Special Leave Petition ("SLP"). The Hon'ble Supreme Court, by its order dated July 31, 2017, has dismissed the PFRDA's SLP and refused to interfere with the Hon'ble High Court's decision. Accordingly, the Letter of Appointment issued to HDFC Life stands unqualified, with the appointment of HDFC Pension as a pension fund manager being confirmed.

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

3. PORTFOLIO STATEMENT AS ON MARCH 31, 2018

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Government Securities	8.17% GOI Mat 01-Dec-2044	229,700	24,006,315	10.31%
	8.15% GOI Mat 24-Nov-2026	170,700	17,599,170	7.56%
	7.61% GOI Mat 09-May-2030	169,000	16,843,419	7.24%
	7.73% GOI Mat 19-Dec-2034	161,500	16,198,450	6.96%
	8.32% GOI Mat 02-Aug-2032	147,900	15,554,451	6.68%
	8.83% GOI Mat 12-Dec-2041	130,500	14,616,000	6.28%
	8.40% GOI Mat 28-Jul-2024	94,600	9,871,510	4.24%
	7.72% GOI Mat 25-May-2025	90,000	9,090,000	3.91%
	8.60% GOI Mat 02-Jun-2028	81,300	8,622,215	3.70%
	8.13% GOI Mat 22-Jun-2045	72,500	7,562,076	3.25%
	7.88%GOI Mat 19-Mar-2030	67,400	6,824,250	2.93%
	8.24% GOI Mat 15-Feb-2027	63,600	6,579,407	2.83%
	8.28% GOI Mat 15-Feb-2032	60,600	6,358,407	2.73%
	8.30% GOI Mat 31-Dec-2042	55,000	5,842,381	2.51%
	8.20% GOI Mat 24-Sep-2025	50,600	5,236,736	2.25%
	7.59% GOI Mat 20-Mar-2029	50,000	4,970,000	2.14%
	6.68% GOI Mat 17-Sep-2031	50,000	4,618,000	1.98%
	8.30% GOI Mat 02-Jul-2040	36,900	3,907,024	1.68%
	9.23% GOI Mat 23-Dec-2043	30,800	3,590,984	1.54%
	8.24% GOI Mat 10-Nov-2033	33,800	3,544,454	1.52%
	7.95% GOI Mat 28-Aug-2032	32,400	3,304,800	1.42%
	8.33% GOI Mat 09-Jul-2026	30,000	3,126,000	1.34%
	8.33% GOI Mat-07-Jun-2036	20,000	2,126,810	0.91%
	9.20% GOI Mat 30-Sep-2030	17,700	1,973,727	0.85%
7.50% GOI Mat 10-Aug-2034	20,000	1,969,550	0.85%	
8.28% GOI Mat 21-Sep-2027	2,000	207,624	0.09%	
8.26% GOI Mat 02-Aug-2027	1,100	114,079	0.05%	
8.12% GOI Mat 10-Dec-2020	1,100	113,014	0.05%	
Government Securities Total		1,970,700	204,370,853	87.80%
State Development Loans	8.47% Maharashtra SDL Mat 10-Feb-2026	50,000.00	5,162,384.00	2.22%
	7.66% Andhra Pradesh SDL Mat 29-Nov-2027	50,000.00	4,920,335.00	2.11%
	8.36% Maharashtra SDL Mat 27-Jan-2026	40,000.00	4,107,811.00	1.76%
	7.96% Maharashtra SDL Mat 29-Jun-2026	30,000.00	3,014,913.00	1.30%
	8.44% Tamil Nadu SDL Mat 26-Nov-2024	6,000.00	616,564.00	0.26%
State Development Loans Total		176,000	17,822,007	7.66%
Mutual Fund Units	Birla Sun Life Cash Plus - Growth - Direct Plan	23,601.016	6,590,520	2.83%
Mutual Fund Units Total		23,601	6,590,520	2.83%
Net Current Assets		-	3,993,357	1.72%
Grand Total		2,170,301	232,776,737	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, 2018

Sr No	Particulars	Scheme G Tier II	
		March 31, 2018	March 31, 2017
1	NAV per unit (₹) I		
	Open	15.1528	13.5155
	High	15.9913	15.973
	Low	15.0039	13.5516
	End	15.8652	15.1528
2	Closing Assets Under Management (₹ in Lakhs)		
	End	2,327.77	959.82
	Average daily net assets (AAuM) II	1,643.40	530.89
3	Gross income as % of AAuM III	7.52%	7.60%
4	Expense ratio		
a	Total expense as % of AAuM (scheme wise) IV	0.03%	0.03%
b	Management fee as % of AAuM (scheme wise) V	0.01%	0.01%
5	Net income as % of AAuM VI	3.56%	7.57%
6	Portfolio turnover ratio VII	5.07%	2.52%
7	Total dividend per unit distributed during the period	N.A.	N.A.
8	Returns: (%)		
a	Last one year	4.70%	12.11%
	Benchmark	3.50%	11.90%
b	Since inception	58.65%	51.53%
	Benchmark	51.36%	47.45%
c	Compound annualised yield (%) VIII		
	Last 1 year	4.70%	12.11%
	Last 2 year	8.34%	9.44%
	Last 3 year	7.84%	12.68%
	Since launch of the scheme	10.40%	12.01%
	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 = Total Income as per Revenue Account		
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 = Surplus / Deficit as per Revenue Account		
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 A TIER I

Financial Statements together with Auditors' Report

For the Financial year ended March 31, 2018

Contents

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 A – 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, 2018 and the Revenue Account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment or the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation

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Phone : 011 41513059 / 41513169

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

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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, 2018;
- b) in the case of the Revenue Account, of the surplus of the Scheme for the year ended on that date:

Report on Other Legal and Regulatory Requirements

7. As required by the PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended, we report that:

- a) We have obtained all information and explanations which to the best our knowledge and belief were necessary for the purpose of the audit.
- b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
- c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
- d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
- e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA.

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8. 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: Mumbai

Date:

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

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NATIONAL PENSION SYSTEM TRUST

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

BALANCE SHEET AS AT MARCH 31, 2018

(In ₹)

Particulars	Schedule	Scheme A Tier I	
		March 31, 2018	March 31, 2017
Liabilities			
Unit Capital	1	18,053,363	2,325,120
Reserves & Surplus	2	2,224,559	66,347
Current Liabilities and Provisions	3	18,868	2,555
Total		20,296,790	2,394,022
Assets			
Investments	4	19,789,342	2,390,837
Deposits	5	-	-
Other Current Assets	6	507,448	3,185
Total		20,296,790	2,394,022
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		20,277,922	2,391,467
(b) Number of units outstanding		1,805,336	232,512
(c) NAV per unit (a)/(b) (₹)		11.2322	10.2853
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 16, 2018

For and on Behalf of NPS Trust

Ashvin Parekh
(Chairman, NPS Trust Board)

(Chief Executive Officer)

Place :

Date :

NATIONAL PENSION SYSTEM TRUST

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

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2018

(In ₹)

Particulars	Schedule	Scheme A Tier I	
		March 31, 2018	March 31, 2017
Income			
Interest		308,918	-
Profit on sale/redemption of investments		216,849	-
Unrealised gain on appreciation in investments		142,645	15,437
Total Income (A)		668,412	15,437
Expenses & Losses			
Management fees (including Goods and Service Tax / Service Tax)		820	28
NPS Trust fees		697	24
Custodian fees		131	-
CRA fees		26,754	5,256
Less : Amount recoverable on sale of units on account of CRA Charges		(26,754)	(5,256)
Depository and settlement charges		143	-
Total Expenditure (B)		1,791	52
Surplus/(Deficit) for the year (A-B = C)		666,621	15,385
Less: Amount transferred to Unrealised appreciation account		(142,645)	(15,437)
Less: Amount transferred to General Reserve		(523,976)	52
Amount carried forward to Balance Sheet		-	-
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

Place : Mumbai

Date :

Date : April 16, 2018

For and on Behalf of NPS Trust

Ashvin Parekh
(Chairman, NPS Trust Board)

(Chief Executive Officer)

Place :

Date :

NATIONAL PENSION SYSTEM TRUST

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

Schedules forming part of the financial statements

Schedule 1: Unit capital

(In ₹)

Particulars	Scheme A Tier I	
	March 31, 2018	March 31, 2017
Initial capital		
Unit capital		
Outstanding at the beginning of the year	2,325,120	-
Add :Units issued during the year	16,480,550	2,344,385
Less: Units redeemed during the year	(752,307)	(19,265)
Outstanding at the end of the year	18,053,363	2,325,120
(Face Value of Rs.10/- each unit, fully paid up)		
Outstanding units at the beginning of the year	232,512	-
Add :Units issued during the year	1,648,055	234,439
Less: Units redeemed during the year	(75,231)	(1,927)
Outstanding Units at the end of the year	1,805,336	232,512

Schedule 2: Reserves and surplus

(In ₹)

Particulars	Scheme A Tier I	
	March 31, 2018	March 31, 2017
Unit premium reserve		
Opening balance	50,962	-
Add: Premium on Units issued	1,559,621	51,427
Less: Premium on Units redeemed	(68,031)	(465)
Add: Transfer from General Reserve	-	-
Closing balance	1,542,552	50,962
General Reserve		
Opening balance	(52)	-
Add/(Less): Transfer from Revenue Account	523,976	(52)
Less: Transfer to Unit Premium Reserve	-	-
Closing balance	523,924	(52)
Unrealised Appreciation Reserve		
Opening balance	15,437	-
Add: Adjustment for Previous years unrealised appreciation reserve	-	-
Add/(Less): Transfer from Revenue Account	142,646	15,437
Closing balance	158,083	15,437
Total	2,224,559	66,347

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	Scheme A Tier I	
	March 31, 2018	March 31, 2017
Current liabilities		
Sundry creditors for expenses	847	46
Redemption Payable	17,998	2,507
TDS Payable	23	2
Total	18,868	2,555

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

Particulars	Scheme A Tier I	
	March 31, 2018	March 31, 2017
Others - Mutual Fund Units	5,674,010	2,390,837
Basel III Tier I bonds	14,115,332	-
Total	19,789,342	2,390,837

Schedule 5: Deposits**(In ₹)**

Particulars	Scheme A Tier I	
	March 31, 2018	March 31, 2017
Deposits with scheduled banks	-	-
Total	-	-

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

Particulars	Scheme A Tier I	
	March 31, 2018	March 31, 2017
Balances with banks in current account	29,023	3,185
Outstanding and accrued income	348,425	-
Application money pending allotment	130,000	-
Total	507,448	3,185

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

Schedule 7

Significant accounting policies & notes to accounts for the year ended March 31, 2018

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 and Karvy Computershare Pvt.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), Karvy Computershare Pvt. Ltd 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 year end 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 A TIER I being managed by the Company.

The Company manages eight separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C, G and A 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

Scheme A – Alternate Investment funds

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 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.

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

1.4 Income Recognition

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 A TIER I

Notes to accounts

2.1 Contingent liabilities

(In ₹)

Particulars	Scheme A Tier I	
	March 31, 2018	March 31, 2017
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, 2018

(In ₹)

Nature of Transaction	Scheme A Tier I	
	March 31, 2018	March 31, 2017
Investment management fees	820	28

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	Scheme A Tier I	
	March 31, 2018	March 31, 2017
Investment management fees payable	376	26

Aggregate investments made in the Associates and group companies as at March 31, 2018 are as follows:

(In ₹)

Name of the Company	Asset type	Scheme A Tier I			
		March 31, 2018		March 31, 2017	
		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, 2018 are as follows:

(In ₹)

Name of the Company	Asset type	Scheme A Tier I			
		March 31, 2018		March 31, 2017	
		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, 2018 is as follows :

(In ₹)

Particular	Scheme A Tier I	
	March 31, 2018	March 31, 2017
Average Net Asset Value	6,969,998	513,456
Purchase of Investment	42,600,765	2,375,400
% to average Net Assets Value	611.20%	462.63%
Sale of Investment	24,703,248	-
% to average Net Assets Value	354.42%	-

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

Notes to accounts

Aggregate value of purchase and sale (excluding liquid mutual fund)* with percentage to average assets as at March 31, 2018 is as follows :

(In ₹)

Particular	Scheme A Tier I	
	March 31, 2018	March 31, 2017
Average Net Asset Value	6,969,998	513,456
Purchase of Investment	14,832,765	NIL
% to average Net Assets Value	212.81%	NIL
Sale of Investment	-	NIL
% to average Net Assets Value	-	NIL

*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	Scheme A Tier I			
	March 31, 2018		March 31, 2017	
	Market value	% of Industry Classification	Market value	% of Industry Classification
Monetary intermediation of commercial / saving / postal banks	14,115,332	69.61%	-	-
Mutual Funds	5,674,010	27.98%	2,390,837	99.97%
Net Current Assets	488,580	2.41%	630	0.03%
Net Asset Value	20,277,922	100.00%	2,391,467	100.00%

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

(In ₹)

Security Name	Asset Type	Ageing	Scheme A Tier I	
			March 31, 2018	March 31, 2017
Birla Sun Life Cash Plus - Growth - Direct Plan	Liquid Mutual Fund	Less than 7 Days	130,000.00	NIL

2.8 Prior Year Comparatives :

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

2.9 Note on status of litigation matters with PFRDA

The Company is a wholly owned subsidiary of HDFC Standard Life Insurance Company Ltd. and has been a licensed pension fund manager since 2013. In 2014, the Pension Fund Regulatory & Development Authority ("PFRDA") issued a Request for Proposal ("RFP") inviting bids from Sponsors to select new pension fund managers. The bid of HDFC Life to this RFP was rejected by the PFRDA on the ground that it did not meet certain eligibility criteria under the RFP. The Hon'ble Delhi High Court, however, set aside the rejection, directing the PFRDA to grant a Letter of Appointment to HDFC Life thereby allowing the Company to continue its business. While the PFRDA issued a letter of appointment to HDFC Life, it also challenged the Hon'ble High Court's decision before the Hon'ble Supreme Court of India by way of a Special Leave Petition ("SLP"). The Hon'ble Supreme Court, by its order dated July 31, 2017, has dismissed the PFRDA's SLP and refused to interfere with the Hon'ble High Court's decision. Accordingly, the Letter of Appointment issued to HDFC Life stands unqualified, with the appointment of HDFC Pension as a pension fund manager being confirmed.

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

3. PORTFOLIO STATEMENT AS ON MARCH 31, 2018

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Asset Backed, Trust Structured and Miscellaneous Investments	9.20 ICICI Bank Perpetual AT-1 (Call date17/03/2022)	7	7,248,909	35.75%
	8.15 SBI Bank Perpetual AT-1 (Call date02/008/2022)	5	4,833,150	23.83%
	8.75 Axis Bank Perpetual AT-1 Series26(Call date14/12/2021)	2	2,033,273	10.03%
Asset Backed, Trust Structured and Miscellaneous Investments Total		14	14,115,332	69.61%
Mutual Fund Units	Birla Sun Life Cash Plus - Growth - Direct Plan	20,319	5,674,010	27.98%
Mutual Fund Units Total		20,319	5,674,010	27.98%
Net Current Assets		-	488,580	2.41%
Grand Total		20,333	20,277,922	100.00%

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

3.1 KEY STATISTICS FOR THE YEAR ENDED MARCH 31, 2018

Sr No	Particulars	Scheme A Tier I	
		March 31, 2018	March 31, 2017
1	NAV per unit (₹) I		
	Open	10.2853	10.0000
	High	11.2322	10.2853
	Low	10.2933	10.0000
	End	11.2322	10.2853
2	Closing Assets Under Management (₹ in Lakhs)		
	End	202.78	23.91
	Average daily net assets (AAuM) II	69.70	5.13
3	Gross income as % of AAuM III	9.59%	3.01%
4	Expense ratio		
a	Total expense as % of AAuM (scheme wise) IV	0.03%	0.01%
b	Management fee as % of AAuM (scheme wise) V	0.01%	0.01%
5	Net income as % of AAuM VI	9.56%	3.00%
6	Portfolio turnover ratio VII	N.A.	N.A.
7	Total dividend per unit distributed during the period	N.A.	N.A.
8	Returns: (%)		
a	Last one year	9.21%	N.A.
	Benchmark VIII	N.A.	N.A.
b	Since inception	12.32%	2.85%
	Benchmark VIII	N.A.	N.A.
c	Compound annualised yield (%) IX		
	Last 1 year	9.21%	N.A.
	Last 2 year	N.A.	N.A.
	Last 3 year	N.A.	N.A.
	Since launch of the scheme	8.22%	6.15%
	Launch Date	October 10, 2016	
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 = Total Income as per Revenue Account		
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 = Surplus / Deficit as per Revenue Account		
VII	Portfolio turnover = Lower of sales or purchase divided by the average AUM for the period. Investments in liquid mutual fund is excluded from the turnover as the same is primarily for liquidity management		
VIII	As per fund objective of Scheme A, the fund is mandated to invest in Commercial/Residential mortgage based securities, Units issued by REITs, Alternative Investment Funds, Units issued by InvITs, Asset backed securities, etc. for that there is no comparable market benchmarks is available and hence benchmark returns are not disclosed for this fund.		
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 A TIER II**

**Financial Statements together
with Auditors' Report**

For the Financial year ended March 31, 2018

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
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Fax.: 022-49669023
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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 A – 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, 2018 and the Revenue Account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment or the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and

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Phone : 011 41513059 / 41513169

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

T R Chadha & Co LLP

Chartered Accountants

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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, 2018;
- b) in the case of the Revenue Account, of the surplus of the Scheme for the year ended on that date:

Report on Other Legal and Regulatory Requirements

7. As required by the PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended, we report that:

- a) We have obtained all information and explanations which to the best our knowledge and belief were necessary for the purpose of the audit.
- b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
- c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
- d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
- e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent made applicable by PFRDA.

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Phone : 011 41513059 / 41513169

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Tel.: 022-49669000
Fax.: 022-49669023
Email:mumbai@trchadha.com



8. 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: Mumbai
Date:

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

NATIONAL PENSION SYSTEM TRUST

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

BALANCE SHEET AS AT MARCH 31, 2018

(In ₹)

Particulars	Schedule	Scheme A Tier II	
		March 31, 2018 *	March 31, 2017
Liabilities			
Unit Capital	1	-	143,533
Reserves & Surplus	2	-	2,910
Current Liabilities and Provisions	3	-	4,170
Total		-	150,613
Assets			
Investments	4	-	145,181
Deposits	5	-	-
Other Current Assets	6	-	5,432
Total		-	150,613
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		-	146,443
(b) Number of units outstanding		-	14,353
(c) NAV per unit (a)/(b) (₹)		-	10.2027
Significant accounting policies and notes to accounts	7		

* Pursuant to directions given by PFRDA, the Scheme was closed on June 16,2017, hence current year figures are not available.

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 16, 2018

For and on Behalf of NPS Trust

Ashvin Parekh
(Chairman, NPS Trust Board)

(Chief Executive Officer)

Place :

Date :

NATIONAL PENSION SYSTEM TRUST

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

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2018

(In ₹)

Particulars	Schedule	Scheme A Tier II	
		March 31, 2018	March 31, 2017
Income			
Profit on sale/redemption of investments		6,639	-
Unrealised gain on appreciation in investments		-	1,181
Total Income (A)		6,639	1,181
Expenses & Losses			
Unrealised losses in value of investments		1,181	-
Management fees (including Goods and Service tax/Service tax)		10	2
NPS Trust fees		8	2
CRA fees		1	103
Less : Amount recoverable on sale of units on account of CRA Charges		(1)	(103)
Total Expenditure (B)		1,199	4
Surplus/(Deficit) for the year (A-B = C)		5,440	1,177
Less: Amount transferred to Unrealised appreciation account		1,181	(1,181)
Less: Amount transferred to General Reserve		(6,621)	4
Amount carried forward to Balance Sheet		-	-
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 16, 2018

For and on Behalf of NPS Trust

Ashvin Parekh
(Chairman, NPS Trust Board)

(Chief Executive Officer)

Place :

Date :

NATIONAL PENSION SYSTEM TRUST

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

Schedules forming part of the financial statements

Schedule 1: Unit capital

(In ₹)

Particulars	Scheme A Tier II	
	March 31, 2018	March 31, 2017
Initial capital		
<u>Unit capital</u>		
Outstanding at the beginning of the year	143,533	-
Add :Units issued during the year	418,304	149,404
Less: Units redeemed during the year	(561,837)	(5,871)
Outstanding at the end of the year	-	143,533
(Face Value of Rs.10/- each unit, fully paid up)		
Outstanding units at the beginning of the year	14,353	-
Add :Units issued during the year	41,830	14,940
Less: Units redeemed during the year	(56,184)	(587)
Outstanding Units at the end of the year	-	14,353

Schedule 2: Reserves and surplus

(In ₹)

Particulars	Scheme A Tier II	
	March 31, 2018	March 31, 2017
Unit premium reserve		
Opening balance	1,733	-
Add: Premium on Units issued	10,625	1,841
Less: Premium on Units redeemed	(18,975)	(108)
Closing balance	(6,617)	1,733
General Reserve		
Opening balance	(4)	-
Add/(Less): Transfer from/(to) Revenue Account	6,621	(4)
Closing balance	6,617	(4)
Unrealised Appreciation Reserve		
Opening balance	1,181	-
Add/(Less): Transfer from/(to) Revenue Account	(1,181)	1,181
Closing balance	-	1,181
Total	-	2,910

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	Scheme A Tier II	
	March 31, 2018	March 31, 2017
Current liabilities		
Sundry creditors for expenses	-	4
Redemption Payable	-	4,166
Total	-	4,170

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

Schedules forming part of the financial statements

Schedule 4: Investments (Long Term and Short Term)**(In ₹)**

Particulars	Scheme A Tier II	
	March 31, 2018	March 31, 2017
Others - Mutual Fund Units	-	145,181
Total	-	145,181

Schedule 5: Deposits**(In ₹)**

Particulars	Scheme A Tier II	
	March 31, 2018	March 31, 2017
Deposits with scheduled banks	-	-
Total	-	-

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

Particulars	Scheme A Tier II	
	March 31, 2018	March 31, 2017
Balances with banks in current account	-	5,432
Total	-	5,432

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

Schedule 7

Significant accounting policies & notes to accounts for the year ended March 31, 2018

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 and Karvy Computershare Pvt. 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), Karvy Computershare Pvt. Ltd 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 year end 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 A TIER II being managed by the Company.

The Company manages eight separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C, G and A 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

Scheme A – Alternate Investment funds

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 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.

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

1.4 Income Recognition

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 A TIER II

Notes to accounts

2.1 Contingent liabilities

(In ₹)

Particulars	Scheme A Tier II	
	March 31, 2018	March 31, 2017
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, 2018

(In ₹)

Nature of Transaction	Scheme A Tier II	
	March 31, 2018	March 31, 2017
Investment management fees	10	2

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	Scheme A Tier II	
	March 31, 2018	March 31, 2017
Investment management fees payable	-	2

Aggregate investments made in the Associates and group companies as at March 31, 2018 are as follows:

(In ₹)

Name of the Company	Asset type	Scheme A Tier II			
		March 31, 2017		March 31, 2016	
		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, 2018 are as follows:

(In ₹)

Name of the Company	Asset type	Scheme A Tier II			
		March 31, 2017		March 31, 2016	
		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, 2018 is as follows :

(In ₹)

Particular	Scheme A Tier II	
	March 31, 2018	March 31, 2017
Average Net Asset Value	410,305	40,710
Purchase of Investment	408,499	143,999
% to average Net Assets Value	99.56%	353.72%
Sale of Investment	559,240	-
% to average Net Assets Value	136.30%	-

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

Notes to accounts

Aggregate value of purchase and sale (excluding liquid mutual fund)* with percentage to average assets as at March 31, 2018 is as follows :

(In ₹)

Particular	Scheme A Tier II	
	March 31, 2018	March 31, 2017
Average Net Asset Value	410,305	40,710
Purchase of Investment	-	-
% to average Net Assets Value	-	-
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	Scheme A Tier II			
	March 31, 2018		March 31, 2017	
	Market value	% of Industry Classification	Market value	% of Industry Classification
Mutual Funds	-	-	145,181	99.14%
Net Current Assets	-	-	1,262	0.86%
Net Asset Value	-	0.00%	146,443.00	100%

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

(In ₹)

Security Name	Asset Type	Ageing	Scheme A Tier II	
			March 31, 2018	March 31, 2017
	NIL	NIL	NIL	NIL

2.8 Prior Year Comparatives :

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

2.9 Note on status of litigation matters with PFRDA

The Company is a wholly owned subsidiary of HDFC Standard Life Insurance Company Ltd. and has been a licensed pension fund manager since 2013. In 2014, the Pension Fund Regulatory & Development Authority ("PFRDA") issued a Request for Proposal ("RFP") inviting bids from Sponsors to select new pension fund managers. The bid of HDFC Life to this RFP was rejected by the PFRDA on the ground that it did not meet certain eligibility criteria under the RFP. The Hon'ble Delhi High Court, however, set aside the rejection, directing the PFRDA to grant a Letter of Appointment to HDFC Life thereby allowing the Company to continue its business. While the PFRDA issued a letter of appointment to HDFC Life, it also challenged the Hon'ble High Court's decision before the Hon'ble Supreme Court of India by way of a Special Leave Petition ("SLP"). The Hon'ble Supreme Court, by its order dated July 31, 2017, has dismissed the PFRDA's SLP and refused to interfere with the Hon'ble High Court's decision. Accordingly, the Letter of Appointment issued to HDFC Life stands unqualified, with the appointment of HDFC Pension as a pension fund manager being confirmed.

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

3. PORTFOLIO STATEMENT AS ON YEAR ENDED MARCH 31, 2018

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Alternative Investment Funds (AIF)		NIL	NIL	NIL
Alternative Investment Funds (AIF) Total		-	-	0.00%
Mutual Fund Units		NIL	NIL	NIL
Mutual Fund Units Total		-	-	0.00%
Net Current Assets		-	-	0.00%
Grand Total		-	-	0.00%

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

3.1 KEY STATISTICS FOR THE YEAR ENDED MARCH 31, 2018

Sr No	Particulars	Scheme A Tier II	
		March 31, 2018 *	March 31, 2017
1	NAV per unit (₹) I		
	Open	10.2027	10.0000
	High	10.6761	10.2027
	Low	10.0000	10.0000
	End	10.0000	10.2027
2	Closing Assets Under Management (₹ in Lakhs)		
	End	0.00	1.46
	Average daily net assets (AAuM) II	4.10	0.41
3	Gross income as % of AAuM III	1.62%	2.90%
4	Expense ratio		
a	Total expense as % of AAuM (scheme wise) IV	0.01%	0.01%
b	Management fee as % of AAuM (scheme wise) V	0.01%	0.01%
5	Net income as % of AAuM VI	1.33%	2.89%
6	Portfolio turnover ratio VII	-	-
7	Total dividend per unit distributed during the period	N.A.	N.A.
8	Returns: (%)		
a	Last one year	N.A.	N.A.
	Benchmark VIII	N.A.	N.A.
b	Since inception	N.A.	2.03%
	Benchmark VIII	N.A.	N.A.
c	Compound annualised yield (%) IX		
	Last 1 year	N.A.	N.A.
	Last 2 year	N.A.	N.A.
	Last 3 year	N.A.	N.A.
	Since launch of the scheme	N.A.	4.35%
	Launch Date	October 10, 2016	
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 = Total Income as per Revenue Account		
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 = Surplus / Deficit as per Revenue Account		
VII	Portfolio turnover = Lower of sales or purchase divided by the average AUM for the period. Investments in liquid mutual fund is excluded from the turnover as the same is primarily for liquidity management		
VIII	As per fund objective of Scheme A, the fund is mandated to invest in Commercial/Residential mortgage based securities, Units issued by REITs, Alternative Investment Funds, Units issued by InvITs, Asset backed securities, etc. for that there is no comparable market benchmarks is available and hence benchmark returns are not disclosed for this fund.		
IX	Compounded annualised yield is to be calculated based on following formula: = (1+ cumulative return) ⁿ - 1 (where n=365/no. of days)		
	* Pursuant to directions given by the PFRDA vide circular No PFRDA/2017/PF/2 dated May 04, 2017, the scheme was closed on June 16, 2017 and all assets were transferred to Scheme A Tier 1. Scheme doesn't hold any assets/investment as on March 31, 2018.		