

Board of Directors

Mr. Deepak S. Parekh
Chairman

Directors

Mr. Norman Keith Skeoch
Mr. James Aird
Mr. Hoshang Billimoria
Mr. P. M. Thampi
Dr. Deepak B. Phatak
Mr. Humayun Dhanrajgir
Ms. Renu Sud Karnad
Mr. Rajeshwar R. Bajaaj
Mr. Keki M. Mistry
Mr. Vijay Merchant

Mr. Milind Barve
Managing Director

Auditors

Haribhakti & Co.
Chartered Accountants

Bankers

HDFC Bank Ltd.

Registered Office

Ramon House,
H. T. Parekh Marg,
169, Backbay Reclamation,
Churchgate,
Mumbai 400 020.
Tel. No. : 022-6631 6333
Fax No. : 022-2204 4304

Directors' Report

TO THE MEMBERS

Your directors have the pleasure in presenting the Twelfth Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2011.

Financial Results

| | For the year ended March 31, 2011 (₹ in crores) | For the year ended March 31, 2010 (₹ in crores) |
|--|--|--|
| Profit before Tax | 355.78 | 316.29 |
| Provision for Tax (Net Deferred Tax) | 113.60 | 107.93 |
| Provision for Fringe Benefit Tax | — | — |
| Profit after Tax | 242.18 | 208.36 |
| Balance brought forward from previous year | 281.33 | 158.57 |
| Profit available for appropriation | 523.51 | 366.93 |
| Short provision of Income Tax for earlier years (net) | 0.07 | — |
| General Reserve | 24.23 | 20.84 |
| Capital Redemption Reserve | 0.49 | — |
| Buy-back of Equity Shares | 9.45 | — |
| Interim Equity Dividend Paid | 72.99 | 55.35 |
| Tax on Interim Equity Dividend Paid | 12.12 | 9.41 |
| Proposed Equity Dividend | — | — |
| Tax on Proposed Equity Dividend | — | — |
| Balance carried to Balance Sheet | 404.16 | 281.33 |

For the year ended March 31, 2011, the Company posted a net profit of ₹ 242.18 crores as against ₹ 208.36 crores in the previous year. Appropriations from the net profit have been effected as per the table given above.

Dividend

Your directors paid interim dividend of ₹ 29/- per equity share in the month of March 2011 and the same is confirmed as Final Dividend for the financial year ended March 31, 2011.

Allotment of equity shares

During the financial year ended March 31, 2011, the Company allotted 5,00,850 equity shares having a face value of

₹10/- each pursuant to the Employee Stock Options Schemes of the Company.

Buy Back of equity shares

During the financial year, the shareholders of the Company at their meetings held on October 18, 2010 and January 14, 2011 approved the buy back of equity shares of the Company from the shareholders of the Company through Tender offer. Both the buy-back offers were completed within the time limits as prescribed under the Companies Act, 1956 and 4,92,850 equity shares of the Company were bought by the Company under both the buy-back offers. The present paid up capital post both the buy-back offers is ₹ 2,51,690,000/-.

Review of Operations

Your Directors are pleased to report that: –

The Average Asset under Management (AAuM) during the financial year 2010-11 was ₹ 89,482.52 crore as against AAuM of ₹ 88,053.79 crore in financial year 2009-2010, which is an increase of 1.62% over previous financial year. This compares favourably with that of the industry which fell by 2.80% over the corresponding period. Notably, the closing Assets under Management (AuM) of equity, balanced and ELSS schemes grew by 30.06% as against industry degrowth of 0.74%. HDFC Mutual Fund (HDFCMF) continues to retain its position as 2nd largest mutual fund in India and its overall market share has improved from 12.17% as on March 31, 2010 to 12.72% as on March 31, 2011. During the year, we continued our thrust on promoting retail business especially Systematic Investment Plan (SIP), which grew by over 90% (in terms of both value & count). Now, over one million customers invest in our schemes through SIP. Our focus on opening new branches to penetrate the market has resulted into an increase in retail share of our business to – 66% as on March 31, 2011 as against – 53% as on March 31, 2010. During the year, the AuM of HDFC Top 200 Fund and HDFCMF Monthly Income Plan – Long Term Plan crossed ₹ 10,000 crore, which is a significant milestone.

During the year, the total number of accounts managed by HDFCMF rose by around 19% to 46.55 lac as at March 31, 2011 from 39.02 lac as at March 31, 2010. The number of Investor Service Centres (ISCs) of the AMC as on March 31, 2011 was at 115. ISCs of Computer Age Management Services Pvt. Ltd. (CAMS), the Registrar and Transfer Agent of HDFCMF are Official Points of Acceptance for transactions of HDFCMF Schemes. These offices (229 as on March 31, 2011 as against 206 on March 31,

2010) supplement the investor-servicing network of your company. With these offices, your company services investors in over 200 cities pan India.

During the financial year, the Company provided investment management / advisory services under Portfolio Management Services. Discretionary Portfolio Management services are provided to High Networth Individuals and Corporate(s) on a segregated basis while advisory services are provided to Institutional Investors and Corporate(s).

New Scheme launched under HDFC Mutual Fund

Your Company to commemorate its 10th anniversary year launched HDFC Debt Fund for Cancer Cure (HDFCC), a 3 year close ended capital protection oriented income scheme in association with Indian Cancer Society, a Public Charitable Trust and India's oldest anti-cancer NGO established in 1951, to fight cancer. HDFCC was structured to provide an opportunity to the investors to support this cause through donation of dividends, fully or partly, earned on their investments. In support of this social objective, your Company shall not levy any investment and advisory fees to manage HDFCC. This unique initiative was well received and the New Fund Offer (NFO) collected over ₹ 75 crore.

Awards

Your Directors are pleased to inform that HDFC Mutual Fund received the following awards as Fund House during the year under review: –

1) ICRA Mutual Fund Awards 2011#

❖ HDFC Mutual Fund was awarded as the 'Star Fund House of the Year' in the 'Equity' Category (from amongst 13 fund houses) for the one year period ending December 31, 2010.

2) CNBC TV18 - CRISIL Mutual Fund Awards 2011#

❖ HDFC Mutual Fund won the "Debt Mutual Fund House of the Year" Award for the calendar year ended December 31, 2010 (from amongst 41 fund houses).

❖ HDFC Mutual Fund won the "Equity Mutual Fund House of the Year" Award for the calendar year ended December 31, 2010 (from amongst 41 fund houses).

❖ HDFC Mutual Fund won the "Mutual Fund House of the Year" Award for the calendar year ended December 31, 2010 (from amongst 41 fund houses).

3) Morningstar India Fund Awards 2011#

❖ HDFC Asset Management Company Limited won the "Best Equity Fund House" by Morningstar India. The award recognizes sustained outperformance over three years, based on the Morningstar Risk-Adjusted Return across its equity fund line-ups for the period ending December 31, 2010.

❖ HDFC Asset Management Company Limited won the "Best Multi-Asset Fund House" by Morningstar India. The award recognizes sustained outperformance over three years, based on the Morningstar Risk-Adjusted Return across its equity, debt and allocation fund line-ups for the period ending December 31, 2010. 16 fund houses were considered for this award.

4) Bloomberg UTV Financial Leadership Awards 2011#

❖ HDFC Mutual Fund won the Best Mutual Fund - Equity of the Year. All Mutual Funds operating in the country were evaluated and 6 fund houses including HDFC Mutual Fund were shortlisted to make presentations to the jury based on the performance of their schemes.

5) Business World - Value Research Survey Disclaimer#

❖ The Company was awarded the Best Asset Management Company. The AMCs were ranked based on funds rated either 4-star or 5-star by Value Research as a percentage of the total number of rated funds.

During the year under review, the following schemes of HDFC Mutual Fund also received awards:

1) ICRA Mutual Fund Awards 2011 - HDFC Mutual Fund#

❖ HDFC Prudence Fund - Ranked as "Seven Star Fund" has been awarded Gold Award for 'Best Performance' in the category of Open Ended Balanced for one year period ending December 31, 2010 (from amongst 28 schemes).

❖ HDFC Capital Builder Fund - Ranked as "Seven Star Fund" has been awarded Gold Award for 'Best Performance' in the category of Open Ended Diversified Equity - Aggressive for one year period ending December 31, 2010 (from amongst 83 schemes).

❖ HDFC Equity Fund - Ranked as "Seven Star Fund" has been awarded Gold Award for 'Best Performance' in the category of Open Ended Diversified Equity - Defensive for one year period ending December 31, 2010 (from amongst 118 schemes).

❖ HDFC TaxSaver - Ranked as "Seven Star Fund" has been awarded Gold Award for 'Best Performance' in the category of Open Ended Equity Linked Savings Schemes (ELSS) for one year period ending December 31, 2010 (from amongst 34 schemes).

❖ HDFC MF Monthly Income Plan - Long Term Plan - Ranked as "Seven Star Fund" has been awarded Gold Award for 'Best Performance' in the category of Open Ended Marginal Equity for one year

period ending December 31, 2010 (from amongst 46 schemes).

❖ HDFC Prudence Fund - Ranked as "Seven Star Fund" has been awarded Gold Award for 'Best Performance' in the category of Open Ended Balanced for three year period ending December 31, 2010 (from amongst 27 schemes).

❖ HDFC Short Term Plan - Ranked as "Seven Star Fund" has been awarded Gold Award for 'Best Performance' in the category of Open Ended Debt - Short Term for three year period ending December 31, 2010 (from amongst 18 schemes).

❖ HDFC Equity Fund - Ranked as "Seven Star Fund" has been awarded Gold Award for 'Best Performance' in the category of Open Ended Diversified Equity - Defensive for three year period ending December 31, 2010 (from amongst 95 schemes).

❖ HDFC Children's Gift Fund - Investment Plan - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Balanced for one year period ending December 31, 2010 (from amongst 28 schemes).

❖ HDFC Balanced Fund - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Balanced for one year period ending December 31, 2010 (from amongst 28 schemes).

❖ HDFC Growth Fund - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Diversified Equity - Defensive for one year period ending December 31, 2010 (from amongst 118 schemes).

❖ HDFC Long Term Advantage Fund - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Equity Linked Savings Schemes (ELSS) for one year

period ending December 31, 2010 (from amongst 34 schemes).

❖ HDFC Cash Management Fund - Treasury Advantage Plan - Retail Option - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Liquid for one year period ending December 31, 2010 (from amongst 54 schemes).

❖ HDFC Children's Gift Fund - Savings Plan - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Marginal Equity for one year period ending December 31, 2010 (from amongst 46 schemes).

❖ HDFC Multiple Yield Fund - Plan 2005 - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Marginal Equity for one year period ending December 31, 2010 (from amongst 46 schemes).

❖ HDFC Balanced Fund - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Balanced for three year period ending December 31, 2010 (from amongst 27 schemes).

❖ HDFC Multiple Yield Fund - Plan 2005 - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Marginal Equity for three year period ending December 31, 2010 (from amongst 45 schemes).

❖ HDFC TaxSaver - Ranked as "Five Star Fund" indicating performance among top 4.6% in the category of Open Ended Equity Linked Savings Schemes (ELSS) for three year period ending December 31, 2010 (from amongst 23 schemes).

2) CNBC TV18 - CRISIL Mutual Fund Awards 2011#

❖ Equity Fund Manager of the Year - Mr. Prashant Jain won the "Equity Fund

Manager of the Year" Award at the CNBC TV18 - CRISIL Mutual Fund Awards 2011 for the calendar year 2010 (from amongst 17 fund managers).

❖ HDFC Prudence Fund won the "Best Performing Mutual Fund of the Year - Balanced Fund" Award for the calendar year 2010 (from amongst 18 schemes) at the CNBC TV18 - CRISIL Mutual Fund Awards 2011.

❖ HDFC MF Monthly Income Plan - Long Term Plan won the "Best Performing Mutual Fund of the Year - Monthly Income Plans" Award for the calendar year 2010 (from amongst 30 schemes).

❖ HDFC Cash Management Fund - Treasury Advantage Plan won the "Best Performing Mutual Fund of the Year - Ultra Short Term Funds - Retail" Award for the calendar year 2010 (from amongst 31 schemes).

❖ HDFC Cash Management Fund - Savings Plan won the "Best Performing Mutual Fund of the Year - Liquid Funds - Retail" Award during the calendar year 2010 (from amongst 19 schemes).

3) Morningstar India Fund Awards 2011#

❖ HDFC Balanced Fund - Growth won the "Best Moderate Allocation Fund" by Morningstar India for its one and three-year performance ending December 31, 2010.

❖ HDFC Multiple Yield Fund – Plan 2005 – Growth won the "Best Conservative Allocation Fund" by Morningstar India for its one and three-year performance ending December 31, 2010.

Please refer www.hdfcfund.com for further information on the Ranking Methodology/Disclaimers, etc for the above mentioned Awards.

Review of the subsidiary company

HDFC ASSET MANAGEMENT COMPANY (SINGAPORE) PTE. LTD.

The AMC has incorporated a wholly owned subsidiary Company in Singapore on April 10, 2008 for providing fund management and advisory services to financial institutions like pension funds, insurance companies, sovereign wealth funds, venture capital funds, etc. The Company had made an application to the Monetary Authority of India (MAS) for Capital Markets Services License for providing full fund management and advisory services. The approval is awaited from MAS and pursuant to receipt of the same, the subsidiary Company shall commence its business.

Directors

In accordance with the Companies Act, 1956 and the Articles of Association of the Company, Mr. Keki Mistry, Mr. Vijay Merchant, and Mr. Norman Keith Skeoch, Directors, retire by rotation at the ensuing Annual General Meeting. They are eligible for re-appointment.

Necessary resolutions for the appointment / re-appointment of the aforesaid Directors have been included in the notice convening the Annual General Meeting.

None of the Directors of the Company are disqualified for being appointed as Directors as specified in Section 274 of the Companies Act, 1956.

Board Meetings

The meetings of the Board of Directors are held at the Company's registered office in Mumbai.

Eight Board meetings were held during the financial year under review – on April 26, 2010, June 30, 2010, July 15, 2010, September 21, 2010, October 18, 2010, December 14, 2010, January 14, 2011 and March 25, 2011.

The attendance of each Director at the meetings of the Board of Directors is as under:

| Directors | Number of Board Meetings Attended |
|--|-----------------------------------|
| (i) Mr. Deepak S. Parekh (Chairman) | 8 |
| (ii) Mr. Norman Keith Skeoch | 2 |
| (iii) Mr. James Aird | 6 |
| (iv) Mr. Humayun Dhanrajgir | 6 |
| (v) Mr. Hoshang Billimoria | 7 |
| (vi) Mr. P. M. Thampi | 8 |
| (vii) Dr. Deepak B. Phatak | 5 |
| (viii) Ms. Renu Sud Karnad | 7 |
| (ix) Mr. Rajeshwar R. Bajaaj | 8 |
| (x) Mr. Keki Mistry | 8 |
| (xi) Mr. Vijay Merchant | 8 |
| (xii) Mr. Milind Barve (Managing Director) | 8 |

Board Committees

To enable better and more focused attention on the affairs of the Company, the Board has constituted Committees of the Board such as Audit Committee, Remuneration Committee, Risk Management Committee and Customer Services Committee to which specific matters have been delegated from time to time. These Committees prepare the groundwork for decision-making and report at the subsequent Board meeting.

Audit Committee

The members of the Audit Committee are Mr. Hoshang Billimoria (Chairman), Mr. P. M. Thampi, Mr. Keki Mistry, Mr. Humayun Dhanrajgir and Mr. James Aird. The Audit Committee has been constituted and functions in accordance with the provisions of Section 292A of

the Companies Act, 1956. The Company Secretary acts as the secretary to the Committee. The Committee met 6 times during the financial year under review. The Audit Committee met prior to the finalization of the accounts for the year ended March 31, 2011.

Public Deposits

During the year under review, the Company has not accepted any deposits from the public.

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

(a) Since the Company does not carry out any manufacturing activities, particulars required to be disclosed with respect to the conservation of energy and technology absorption in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

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

- Foreign exchange (earnings): ₹ 1,23,36,183 (previous year: ₹ 3,17,83,259).
- Foreign exchange (expenditure): ₹ 30,61,42,954 (previous year: ₹ 23,11,25,825) (including Equity Dividend).

Particulars of Employees

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are

set out in the annexure to the Directors' Report.

In terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report is being sent to the shareholders of the Company excluding the annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the registered office of the Company.

Auditors

M/s. Haribhakti & Co., Chartered Accountants, Statutory Auditors of your Company holds office until the conclusion of the ensuing Annual General Meeting and is eligible for re-appointment. The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Directors' Responsibility Statement

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956 and based on the information provided by the management, your Directors state that:

- (i) In the preparation of accounts, the applicable accounting standards have been followed.
- (ii) Accounting policies selected were applied consistently. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of March 31, 2011 and of the profit of the Company for year ended on that date.

(iii) Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.

(iv) The annual accounts of the Company have been prepared on a going concern basis.

Acknowledgements

The Directors acknowledge the valuable assistance, support and guidance given by the Securities and Exchange Board of India, Association of Mutual Funds of India, Reserve Bank of India, bankers, distributors, key partners and other service providers. The Directors would like to convey their gratitude to Housing Development Finance Corporation Limited and Standard Life Investments Limited and look forward to their continued support.

The Directors wish to place on record their appreciation to employees at all levels for their dedication and commitment.

The Directors also acknowledge the faith reposed in HDFC Mutual Fund by its investors and look forward to their continued support.

On behalf of the Board of Directors

MUMBAI
April 28, 2011

DEEPAK S. PAREKH
Chairman

Auditors' Report

TO THE MEMBERS OF HDFC ASSET MANAGEMENT COMPANY LIMITED

We have audited the attached Balance Sheet of HDFC ASSET MANAGEMENT COMPANY LIMITED as at March 31, 2011, the related Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

(I) As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956,

on the basis of such checks of the books and records as we considered appropriate and the information and explanations given to us during the course of the audit, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent they are applicable to the Company.

(II) Further to our comments in the Annexure referred to in paragraph I above, we report as under:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;

(c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

(d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of the Section 211 of the Companies Act, 1956 to the extent they are applicable to the Company;

(e) On the basis of the written representations received from the directors of the Company as on March 31, 2011 and taken on record by the

Board of Directors of the Company, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

(f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, the Profit and Loss Account and Cash Flow Statement read together with Notes thereon give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in so far it relates to the Balance Sheet, of the state of affairs of the Company as at March 31, 2011,

(ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date and

(iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For HARIBHAKTI & CO.,
Chartered Accountants,
Firm Registration No. 103523W

RAKESH RATHI
Partner

MUMBAI
April 28, 2011

Membership No: 45228

Annexure to the Auditors' Report

ANNEXURE REFERRED TO IN PARAGRAPH I OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF HDFC ASSET MANAGEMENT COMPANY LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

2. The Company has physically verified the fixed assets in accordance with a programme of verification, which in our opinion provides for physical verification of all fixed assets at reasonable intervals. It was explained to us that there were no material discrepancies noticed on physical verification.

3. During the year, the Company has not disposed off a major part of the fixed assets.

4. As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

5. As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

6. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regards to purchase of fixed assets and sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

7. According to the information and

explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register maintained under Section 301 have been so entered.

8. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

9. The Company has not accepted any deposits from the public.

10. In our opinion, the Company has an adequate internal audit system commensurate with the size of the Company and nature of its business.

11. We are informed that no cost records are required to be maintained by the Company under Section 209(1)(d) of the Companies Act, 1956.

12. According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, wealth tax, service tax and any other statutory dues applicable to it.

13. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax and service tax were outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.

14. According to the information and explanations given to us by the Company, there is a disputed amount payable in

Annexure to the Auditors' Report (Continued)

respect of income tax as at March 31, 2011. The details of disputed dues is as under:

| Name of the Statute | Nature of the Dues | Amount ₹ | Period to which the amount relates | Forum where dispute is pending |
|-----------------------|--------------------|-------------|------------------------------------|---|
| Income Tax Act, 1961. | Income Tax | 7,27,035/- | A.Y. 2006-2007 | The Company has filed an appeal against Additional CIT with the Commissioner of Income Tax (Appeals). |
| Income Tax Act, 1961. | Income Tax | 43,63,990/- | A.Y. 2008-2009 | The Company has filed an appeal against Additional CIT with the Commissioner of Income Tax (Appeals). |

15. The Company has neither accumulated losses as at March 31, 2011 nor has it incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.

16. The Company has not taken any loan from Financial Institution, Bank and the Company has not issued any Debentures.

17. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

18. The Company has not dealt or traded in shares, securities, debentures and other investments during the year.

19. The Company has not given any guarantee for loans taken by others from Bank or Financial Institutions.

20. During the year, the Company has not taken any term loans.

21. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the Company has not used funds raised on short-term basis for long-term investment.

22. The Company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.

23. The Company has not issued any Debentures during the year.

24. The Company has not raised any money by public issue during the year.

25. No fraud on or by the Company has been noticed or reported during the year which involves misstatement in financial reporting, however attention is invited to note 13 of Schedule 17 of the financial statements explaining a matter of front running.

26. The clause (ii) and (xiii) of para 4 are not reported upon as these are not applicable to the Company.

For HARIBHAKTI & CO.,
Chartered Accountants,
Firm Registration No. 103523W

RAKESH RATHI
Partner
MUMBAI
April 28, 2011
Membership No: 45228

Balance Sheet as at March 31, 2011

| | Schedule | Rupees | Rupees | March 31, 2010 Rupees |
|---|----------|----------------------|----------------------|--------------------------|
| FUNDS EMPLOYED | | | | |
| SHAREHOLDER'S FUNDS | | | | |
| Share Capital | 1 | | 25,16,90,000 | 25,16,10,000 |
| Employee Stock Options Outstanding | | | 10,85,08,985 | 14,06,76,946 |
| Reserves and Surplus | 2 | | 478,86,63,434 | 394,87,11,032 |
| TOTAL | | | <u>514,88,62,419</u> | <u>434,09,97,978</u> |
| APPLICATION OF FUNDS | | | | |
| FIXED ASSETS | 3 | | | |
| Gross Block | | 138,92,23,422 | | 128,00,16,900 |
| Less: Depreciation | | <u>99,66,03,944</u> | | <u>83,26,22,596</u> |
| Net Block | | 39,26,19,478 | | 44,73,94,304 |
| Capital Advances | | <u>8,23,472</u> | | <u>2,27,67,120</u> |
| | | | 39,34,42,950 | 47,01,61,424 |
| INVESTMENTS | 4 | | 425,61,05,033 | 315,07,95,619 |
| DEFERRED TAX ASSET (Net) (see note 9) | 5 | | 13,28,16,451 | 18,48,06,201 |
| CURRENT ASSETS, LOANS AND ADVANCES | | | | |
| Sundry Debtors | 6 | 14,88,83,871 | | 14,05,60,697 |
| Cash and Bank Balances | 7 | 1,98,70,917 | | 1,73,89,988 |
| Other Current Assets | 8 | 15,628 | | 9,74,629 |
| Loans and Advances | 9 | 563,57,12,154 | | 506,16,79,629 |
| | | <u>580,44,82,570</u> | | <u>522,06,04,943</u> |
| Less: | | | | |
| CURRENT LIABILITIES AND PROVISIONS | | | | |
| Current Liabilities | 10 | 96,58,95,012 | | 111,69,98,034 |
| Provisions | 11 | <u>447,20,89,573</u> | | <u>356,83,72,175</u> |
| | | 543,79,84,585 | | 468,53,70,209 |
| NET CURRENT ASSETS | | | 36,64,97,985 | 53,52,34,734 |
| TOTAL | | | <u>514,88,62,419</u> | <u>434,09,97,978</u> |
| Significant Accounting Policies and Notes to Accounts | 17 | | | |

As per our report attached
For Haribhakti & Co.
Chartered Accountants
Firm Registration No. 103523W

Rakesh Rathi
Partner

For and on behalf of the Board
Deepak S. Parekh
Chairman

Milind Barve
Managing Director

Rahul Bhandari
Chief Financial Officer

Directors
Keki M. Mistry
Hoshang S. Billimoria
Deepak B. Phatak
Vijay Merchant
Renu Sud Karnad
P. M. Thampi
Rajeshwar Raj Bajaaj
Humayun Dhanrajgir
N Keith Skeoch
James Aird

Sylvia Furtado
Company Secretary

MUMBAI, April 28, 2011

Profit & Loss Account for the year ended March 31, 2011

| | Schedule | Rupees | Previous Year Rupees |
|--|----------|----------------------|-------------------------|
| INCOME | | | |
| Management Fee | 12 | 644,95,23,176 | 556,88,72,844 |
| Interest | 13 | 3,43,29,804 | 36,85,93,370 |
| Dividend | | 18,77,61,727 | 8,67,65,739 |
| Utilisation / Reversal of Provision for Contingencies | | 6,10,46,545 | — |
| Other Income | 14 | 7,50,03,709 | 22,52,56,738 |
| Total | | 680,76,64,961 | 624,94,88,691 |
| EXPENDITURE | | | |
| Staff Expenses | 15 | 85,88,31,920 | 88,05,73,559 |
| Administrative and Other Expenses | 16 | 221,52,20,179 | 142,34,60,471 |
| Interest | | — | 10,41,05,206 |
| Depreciation | 3 | 17,57,77,923 | 37,83,90,991 |
| Provision for Contingencies | | — | 30,00,00,000 |
| Total | | 324,98,30,022 | 308,65,30,227 |
| PROFIT/(LOSS) BEFORE TAX | | 355,78,34,939 | 316,29,58,464 |
| Less: Provision for Tax (Net of Deferred Tax) (see note 9) | | 113,60,43,135 | 107,92,76,938 |
| PROFIT/(LOSS) AFTER TAX | | 242,17,91,804 | 208,36,81,526 |
| Balance brought forward from Previous Year | | 281,32,46,977 | 158,55,50,067 |
| Profit Available for Appropriation | | 523,50,38,781 | 366,92,31,593 |
| Appropriations: | | | |
| Short Provision of Income Tax for Earlier Years | | 7,13,070 | — |
| General Reserve | | 24,21,79,180 | 20,83,68,153 |
| Capital Redemption Reserve | | 49,28,500 | — |
| Buy Back of Equity Shares (see note 11) | | 9,45,33,845 | — |
| Interim Equity Dividend Paid | | 72,99,01,000 | 55,35,42,000 |
| Tax on Interim Equity Dividend Paid | | 12,12,27,432 | 9,40,74,463 |
| Balance carried forward to the Balance Sheet | | 404,15,55,754 | 281,32,46,977 |
| Earnings Per Share (see note 8) | | | |
| — Basic | | 96.05 | 82.81 |
| — Diluted | | 93.14 | 81.14 |

Significant Accounting Policies and Notes to Accounts 17

As per our report attached
For Haribhakti & Co.
 Chartered Accountants
 Firm Registration No. 103523W

For and on behalf of the Board
Deepak S. Parekh
 Chairman

Rakesh Rathi
 Partner

Directors
Keki M. Mistry
Hoshang S. Billimoria
Deepak B. Phatak
Vijay Merchant
Renu Sud Karnad
P. M. Thampi
Rajeshwar Raj Bajaaj
Humayun Dhanrajgir
N Keith Skeoch
James Aird

MUMBAI, April 28, 2011

Milind Barve
 Managing Director

Rahul Bhandari
 Chief Financial Officer

Sylvia Furtado
 Company Secretary