



# 09 IDFC ASSET MANAGEMENT COMPANY LIMITED

## **BOARD OF DIRECTORS**

- Dr. Rajiv B. Lall – Chairman
- Mr. Vikram Limaye
- Mr. Eric Ward
- Mr. Pradip Madhavji
- Mrs. Bakul Patel
- Mr. Vishwavir Saran Das

## **AUDITORS**

- S. R. Batliboi & Co. LLP  
Chartered Accountants

## **PRINCIPAL BANKERS**

- Standard Chartered Bank
- HDFC Bank Limited

## **REGISTERED OFFICE**

One India Bulls Centre  
841, Jupiter Mills Compound  
Senapati Bapat Marg  
Elphinstone Road (West)  
Mumbai 400 013

**Tel:** +91 22 6628 9999

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**CIN:** U65993MH1999PLC123191

# Directors' Report

## TO THE MEMBERS,

We are pleased to present the Fourteenth Annual Report to the Members, together with the audited accounts for the year ended March 31, 2014.

## FINANCIAL RESULTS

PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2014 ₹	FOR THE YEAR ENDED MARCH 31, 2013 ₹
Total Income	2,700,166,651	1,637,122,009
Less: Total Expenses	1,322,513,715	1,217,659,902
Profit / (Loss) before Tax	1,377,652,936	419,462,107
Less: Total Tax Expenses	466,856,000	153,074,000
<b>Profit / (Loss) after Tax</b>	<b>910,796,936</b>	<b>266,388,107</b>

## OPERATIONAL REVIEW

### I. Mutual Funds

The Company is the Investment Manager of the schemes of IDFC Mutual Fund ("IDFC MF"). The Average Assets under Management of IDFC MF were ₹ 41,244.96 crore (excluding Fund of Funds Schemes) as on March 31, 2014.

#### *New Scheme launches:*

Fifty nine (59) new schemes were launched in FY14 including IDFC Equity Opportunity - Series 1, 2 & 3; IDFC Yearly Series Interval Fund - Series 4 and Fifty five (55) Fixed Maturity Plans in form of IDFC Fixed Term Plan Series with maturity ranging from 91 days to 3 years.

These Schemes together collected over ₹ 7,450 crore.

#### *Awards & Recognition:*

- The IDFC MF website was awarded Official Honoree at the 17<sup>th</sup> Annual Webby Awards.
- IDFC MF won the 'Most innovative tools produced by any AMC for the distributors and customers' award at the 5<sup>th</sup> Annual Conference - Mutual Fund Round Table ("MFRT") conducted by Kolkata based IFA-Association ASK Circle on August 3, 2013.

### II. Portfolio Management Services:

IDFC Investment Advisors Limited ("IDFC IA") is a wholly owned subsidiary of the Company and is a Portfolio Manager, registered with the Securities and Exchange Board of India ("SEBI") to carry out Portfolio Management Services pursuant to SEBI (Portfolio Managers) Regulations, 1993.

IDFC IA also acts as an Investment Manager to IDFC S.P.I.C.E. fund. It is customised to suit the needs of the non-institutional investor with focus on early stage, late stage, Pre-IPO, listed market growth opportunities. The objective of the fund is to achieve attractive risk adjusted returns through investments in medium to long-term unlisted and listed opportunities in social infrastructure, physical infrastructure, consumption and environment sectors. It was launched in the domestic market on July 22, 2011 and the final closing was done on April 20, 2012. The fund has mobilised ₹ 386 crore across 1,290 investors.

## DIVIDEND

The Company has made a profit after tax of ₹ 91.08 crore during the year under review. The Directors recommend a dividend of ₹ 250 (i.e. 2500%) per equity share on face value of ₹ 10 for the year ended March 31, 2014 for the approval of the Members.

## COMPANIES ACT, 2013

Most of the provisions of the Companies Act, 2013 and the Rules notified by the Ministry of Corporate Affairs ("MCA") in this regard, have come into force with effect from April 1, 2014. MCA issued a General Circular no. 8/2014 dated April 4, 2014 which clarified that the Financial Statements, Auditors' Report and the Board's Report in respect of the previous year ended March 31, 2014 will be in accordance with the Companies Act, 1956 and Rules made there under.

Your Company shall comply with the provisions of the Companies Act, 2013, as applicable.

## SUBSIDIARY COMPANIES

As on March 31, 2014, the Company has two subsidiaries, namely IDFC Investment Advisors Limited and IDFC Investment Managers (Mauritius) Limited. During FY14, the Company transferred its entire equity stake held in IDFC Pension Fund Management Company Limited ("IDFC PF") to IDFC Securities Limited. Thereafter, IDFC PF was merged with IDFC Securities Limited.

As required under the provisions of Section 212 of the Companies Act, 1956, a statement of holding company's interest in the subsidiary companies and the Annual Report of such subsidiary companies have been attached to this report.

## Directors' Report

### DIRECTORS

In accordance with Section 313 of the Companies Act, 1956, the Board of Directors of the Company, at its Meeting held on January 29, 2014, appointed Dr. Rajeev Uberoi (DIN-01731829) as an Alternate Director to Mr. Eric Ward (DIN-03522521). Further, pursuant to provisions of Section 164 of the Companies Act, 2013, Dr. Rajeev Uberoi vacated the office of Alternate Director on arrival of Mr. Eric Ward in India on April 22, 2014 to attend the Board Meeting of the Company.

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Vikram Limaye (DIN-00488534) would retire by rotation and being eligible, offers himself for reappointment at the ensuing Annual General Meeting (“AGM”).

The Board of Directors recommends the reappointment of Mr. Vikram Limaye as a Director at the ensuing AGM.

### AUDIT COMMITTEE

The Audit Committee consists of four members, Mr. Pradip Madhavji (DIN-00549826) as Chairman, Mrs. Bakul Patel (DIN-00580300), Dr. Rajiv B. Lall (DIN-00131782) and Mr. Eric Ward (DIN-03522521). The Audit Committee met four times during the year under review.

### AUDITORS

S.V. Ghatalia & Associates LLP, Chartered Accountants (Reg. No.: 103162W), an affiliate of Ernst & Young, were the Statutory Auditors of the Company for FY 2013-14 and would hold office till the conclusion of the ensuing AGM of the Company.

The Company received a letter from S.V. Ghatalia & Associates LLP, Chartered Accountants expressing their unwillingness to be reappointed as Statutory Auditors at the ensuing AGM. As per Clause 14.2 of the Shareholders Agreement signed between the Company, IDFC Limited and Natixis Global Asset Management on December 16, 2010, the financials of the Company must be audited by any one of the big four firms i.e. KPMG, Deloitte, E&Y or PWC.

In accordance with the above, the Board of Directors of the Company, at its meeting held on April 23, 2014, recommended appointment of S.R. Batliboi & Co. LLP, Chartered Accountants (Reg. No.: 301003E), being a member firm of Ernst & Young Global Limited, in place of S.V. Ghatalia & Associates LLP as the Statutory Auditors of the Company, to audit the financials of the Company.

The Board recommends the appointment of S.R. Batliboi & Co. LLP, Chartered Accountants, as the Statutory Auditors of the Company.

### PUBLIC DEPOSITS

The Company has not accepted any public deposits during the year under review.

### PARTICULARS REGARDING CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Since the Company does not own any manufacturing facility, the disclosure of information on other matters required to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1998, are not applicable and hence not given.

### FOREIGN EXCHANGE EARNINGS AND EXPENDITURE

There were no foreign exchange earnings by the Company during the period under review. The details of expenditure in foreign currency are given in Note No. 22 of the Notes forming part of the Financial Statements.

### PERSONNEL AND OTHER MATTERS

The Company had 157 employees as on March 31, 2014. As required under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are annexed to this Report.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that:

- in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to the material departures;
- they have selected such accounting policies and applied them consistently, and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at March 31, 2014 and the profit of the Company for the year ended on that date;
- they have taken proper and sufficient care for the 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 fraud and other irregularities; and
- they have prepared annual accounts on a going concern basis.

## **ACKNOWLEDGEMENT**

The Board places on record its gratitude to the Government of India, Securities and Exchange Board of India, Reserve Bank of India, Association of Mutual Funds of India, other regulatory authorities and institutions, investors in the Mutual Fund schemes and to the Members for their continued guidance and support and expresses its sincere appreciation to all the employees for their commendable teamwork and enthusiastic contribution during the year.

The Directors also express their gratitude for the unstinted support and guidance received from IDFC Limited and other group companies.

### **FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**

**RAJIV B. LALL**

Chairman

Mumbai, April 23, 2014

# Independent Auditors' Report

## TO THE MEMBERS OF IDFC ASSET MANAGEMENT COMPANY LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of IDFC ASSET MANAGEMENT COMPANY LIMITED (“the Company”), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory Information.

### Management’s Responsibility for the financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 (“the Act”) read with General Circular 8/2014 dated April 4, 2014, issued by the Ministry of Corporate Affairs. 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.

### Auditor’s Responsibility

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. 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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 the Act in the manner so required 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 Company as at March 31, 2014;
- (b) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor’s Report) Order, 2003 (“the Order”) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
  - (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 those books;
  - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 8/2014 dated April 4, 2014, issued by the Ministry of Corporate Affairs;
  - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

### FOR S.V. GHATALIA & ASSOCIATES LLP

Chartered Accountants

ICAI Firm Registration Number: 103162W

### per MANISH GUJRAL

Partner

Membership No.: 105117

Mumbai, April 23, 2014

## Annexure to the Auditors' Report

Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: IDFC Asset Management Company Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) There was no disposal of substantial part of fixed assets during the year.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 4(ii) of the Order are not applicable to the Company.
- (iii) According to the information and explanations given to us, the Company has not granted or taken any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of Clause 4(iii)(a) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system in respect of these areas.

The Company has not purchased any inventory or sold any goods during the year, hence adequacy of internal controls in respect of these areas have not been commented upon.

- (v) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 of the Act have been so entered.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act, for the products of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it. The provisions relating to employees' state insurance are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax on account of any dispute, are as follows:

NAME OF THE STATUTE	NATURE OF DUES	AMOUNT (₹)	PERIOD TO WHICH THE AMOUNT RELATES	FORUM WHERE DISPUTE IS PENDING
Income tax Act, 1961	Income tax demand payable	2,122,835	Assessment Year 2008-09	Tribunal
		66,528	Assessment Year 2009-10	Tribunal
		851,993	Assessment Year 2010-11	CIT(A)
		2,744,670	Assessment Year 2011-12	CIT
	Income tax demand payable on PTC trust in which the Company was one of the beneficiaries	30,358,620	Assessment Year 2009-10	CIT(A)
		3,074,930	Assessment Year 2010-11	High court

According to the information and explanations given to us, there are no dues of service tax and cess which have not been deposited on account of any dispute.

As informed, the provisions of sales tax, wealth tax, excise duty and customs duty are currently not applicable to the Company.

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) As informed, the Company has not borrowed any sums from a financial institution, bank or debenture holders.
- (xii) Based on our examination of documents and records, we are of the opinion that the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

## Annexure to the Auditors' Report

- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by other from bank or financial institution.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act.
- (xix) The company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

### FOR S.V. GHATALIA & ASSOCIATES LLP

Chartered Accountants

ICAI Firm Registration Number: 103162W

### per MANISH GUJRAL

Partner

Membership No.: 105117

Mumbai, April 23, 2014

# Balance Sheet

AS AT MARCH 31, 2014

	NOTES	₹	AS AT MARCH 31, 2014 ₹	AS AT MARCH 31, 2013 ₹
<b>EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' FUNDS</b>				
(a) Share capital	4	26,790,450		26,790,450
(b) Reserves and surplus	5	780,277,704		644,570,442
			807,068,154	671,360,892
<b>NON-CURRENT LIABILITIES</b>				
(a) Other long-term liabilities	6	8,835,191		10,268,686
			8,835,191	10,268,686
<b>CURRENT LIABILITIES</b>				
(a) Other current liabilities	7	109,109,409		29,618,339
(b) Short-term provisions	8	1,199,929,777		538,012,125
			1,309,039,186	567,630,464
<b>TOTAL</b>			<b>2,124,942,531</b>	<b>1,249,260,042</b>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
(a) Fixed assets				
Tangible assets	9	47,516,472		59,117,604
Intangible assets	10	6,677,404		11,125,265
			54,193,876	70,242,869
(b) Non-current investments	11	102,569,224		162,569,234
(c) Deferred tax assets (net)	12	24,184,000		20,186,000
(d) Long-term loans and advances	13	207,371,078		131,232,272
(e) Other non-current assets	14	–		1,092,704
			334,124,302	315,080,210
			388,318,178	385,323,079
<b>CURRENT ASSETS</b>				
(a) Current investments	15	1,429,959,928		731,719,657
(b) Trade receivables	16	80,051,032		62,858,097
(c) Cash and bank balances	17	108,064,890		31,838,753
(d) Short-term loans and advances	13	118,548,503		37,520,456
			1,736,624,353	863,936,963
<b>TOTAL</b>			<b>2,124,942,531</b>	<b>1,249,260,042</b>
Summary of significant accounting policies	3			

The accompanying notes are an integral part of the financial statements.

## AS PER OUR REPORT OF EVEN DATE.

### FOR S.V. GHATALIA & ASSOCIATES LLP

Chartered Accountants  
ICAI Firm Reg. No.103162W

### MANISH GUJRAL

Partner  
Membership No.105117

Mumbai | April 23, 2014

### FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF IDFC ASSET MANAGEMENT COMPANY LIMITED

### PRADIP MADHAVJI

Director

### NIKHIL SANGHAI

Manager

### BAKUL PATEL

Director



# Statement of Profit and Loss

FOR THE YEAR ENDED MARCH 31, 2014

	NOTES	YEAR ENDED MARCH 31, 2014 ₹	YEAR ENDED MARCH 31, 2013 ₹
<b>I INCOME</b>			
Revenue from operations	18	2,600,851,694	1,596,643,521
Other income	19	99,314,957	40,478,488
<b>TOTAL INCOME (I)</b>		<b>2,700,166,651</b>	<b>1,637,122,009</b>
<b>II EXPENSES</b>			
Employee benefits expense	20	482,676,677	462,928,674
Depreciation and amortisation expense	9, 10	31,517,891	34,448,016
Other expenses	21	808,319,147	720,283,212
<b>TOTAL EXPENSES (II)</b>		<b>1,322,513,715</b>	<b>1,217,659,902</b>
<b>III PROFIT BEFORE TAX (I - II)</b>		<b>1,377,652,936</b>	<b>419,462,107</b>
<b>IV TAX EXPENSE</b>			
Current tax		470,854,000	147,279,000
Deferred tax		(3,998,000)	5,795,000
<b>TOTAL TAX EXPENSE (IV)</b>		<b>466,856,000</b>	<b>153,074,000</b>
<b>V PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS (III - IV)</b>		<b>910,796,936</b>	<b>266,388,107</b>
Basic and diluted earnings per equity share (Nominal value of share ₹10)	27	339.97	99.43
Summary of significant accounting policies	3		

The accompanying notes are an integral part of the financial statements.

## AS PER OUR REPORT OF EVEN DATE.

### FOR S.V. GHATALIA & ASSOCIATES LLP

Chartered Accountants  
ICAI Firm Reg. No.103162W

#### MANISH GUJRAL

Partner  
Membership No.105117

Mumbai | April 23, 2014

### FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF IDFC ASSET MANAGEMENT COMPANY LIMITED

#### PRADIP MADHAVJI

Director

#### NIKHIL SANGHAI

Manager

#### BAKUL PATEL

Director

# Cash Flow Statement

FOR THE YEAR ENDED MARCH 31, 2014

	YEAR ENDED MARCH 31, 2014	YEAR ENDED MARCH 31, 2014 ₹	YEAR ENDED MARCH 31, 2013 ₹
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		1,377,652,936	419,462,107
<b>Adjustment for:</b>			
Add: Depreciation and amortisation		31,517,891	34,448,016
Add: Provision written back		–	(15,915,000)
Add: Lease escalation charge		(1,045,587)	(16,002,032)
Add: Loss on sale of Fixed assets		418,298	125,469
Add: Profit on sale of investments in subsidiaries		(6,786,001)	–
Add: Profit on sale of other investments		(41,411,911)	(2,341,206)
Add: Dividend income		(50,000,000)	(5,494,234)
<b>Operating profit before working capital changes</b>		1,310,345,626	414,283,120
<b>Changes in working capital:</b>			
(Increase) / decrease in long-term loans and advances	(81,762,937)		13,502,052
(Increase) / decrease in other non-current assets	1,092,704		(1,092,704)
(Increase) / decrease in trade receivables	(17,192,935)		(40,937,405)
(Increase) / decrease in short-term loans and advances	(81,028,047)		44,339,422
(Increase) / decrease in other current assets	–		1,303,858
Increase / (decrease) in long-term provisions	–		(13,980,879)
Increase / (decrease) in other current liabilities	79,103,162		106,938,843
Increase / (decrease) in short-term provisions	80,107,416		(2,943,033)
		(19,680,637)	107,130,154
Cash generated from / (used in) operations		1,290,664,989	521,413,274
Direct taxes paid (net of refund)		(431,930,654)	(4,081,556)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	(A)	<b>858,734,335</b>	<b>517,331,718</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of fixed asset including capital work-in-progress		(16,121,497)	(22,215,317)
Purchase of investments		(2,344,669,125)	(2,009,322,904)
Sale proceeds on sale of investments		1,687,840,765	1,542,122,626
Sale proceeds from fixed assets		234,300	27,228
Sale proceeds of investment in subsidiaries		66,786,011	–
Dividend received		50,000,000	5,494,234
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	(B)	<b>(555,929,546)</b>	<b>(483,894,133)</b>
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividend paid (including dividend tax)		(226,578,652)	(23,352,399)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	(C)	<b>(226,578,652)</b>	<b>(23,352,399)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(A + B + C)</b>	<b>76,226,137</b>	<b>10,085,186</b>
Cash and cash equivalents as at beginning of the year (refer note 17)		31,838,753	21,753,567
Cash and cash equivalents as at end of the year (refer note 17)		108,064,890	31,838,753
		<b>76,226,137</b>	<b>10,085,186</b>

## AS PER OUR REPORT OF EVEN DATE.

### FOR S.V. GHATALIA & ASSOCIATES LLP

Chartered Accountants  
ICAI Firm Reg. No.103162W

**MANISH GUJRAL**  
Partner  
Membership No.105117

Mumbai | April 23, 2014

### FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF IDFC ASSET MANAGEMENT COMPANY LIMITED

**PRADIP MADHAVJI**  
Director

**BAKUL PATEL**  
Director

**NIKHIL SANGHAI**  
Manager

## 01 Nature of Operations

IDFC Asset Management Company Limited ("**the Company**") is a public limited company, incorporated in India and regulated by The Securities Exchange Board of India ("**SEBI**"). The Company provides asset management services to IDFC Mutual Fund.

## 02 Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India. The Company has prepared these financial statements to comply in all material respects with the accounting standards notified by the Companies (Accounting Standards) Rules, 2006, (as amended), the relevant provisions of the Companies Act, 1956 and the applicable guidelines issued by SEBI. The financial statements have been prepared on the accrual basis under the historical cost convention. The accounting policies followed in the preparation of financial statements are consistent with those followed in the previous year.

## 03 Significant accounting policies

### (a) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the Management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of reporting period. Although these estimates are based on management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

### (b) Investments

Investments which are readily realisable and intended to be held for not more than one year from the date on which such investments are made are classified as current investments. All other investments are classified as long-term investments. On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Long-term investments are carried at acquisition cost. However, a provision is made for diminution other than temporary on an individual basis.

Current investments are carried in the financial statement at lower of cost or fair value on an individual investment basis.

On disposal of an investment, the difference between its carrying amount and the net disposal proceeds is charged or credited to statement of profit and loss.

### (c) Tangible fixed assets

Fixed assets are stated at cost of acquisition, including any cost attributable for bringing the asset to its working condition for the intended use, less accumulated depreciation and accumulated losses, if any. Gains or losses arising from derecognition of fixed assets are measured as difference between the net disposal proceeds and the cost of the assets less accumulated depreciation upto the date of disposal and are recognised in the statement of profit and loss when asset is derecognised. Leasehold Improvements are shown at historical cost less accumulated depreciation.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

### (d) Depreciation on tangible fixed assets

Depreciation is charged at the rates prescribed in Schedule XIV of the Companies Act, 1956 as per written down value method. Certain electronic items are depreciated over a period of two years on straight-line method based on the management's estimate of the useful life of assets.

Depreciation in respect of leasehold improvements is provided on the straight-line method over the extended lease term or five years whichever is earlier.

Depreciation on additions during the period is provided on a pro-rata basis. Assets costing ₹ 5,000 or less are fully depreciated in the year of purchase.

### (e) Intangible assets and amortisation

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised over a period of three years on a straight line method. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

## (f) Impairment of tangible and intangible assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists or when annual impairment testing of an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Units ("CGU") net selling price and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted for their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. In determining net selling price, recent market transactions are taken into account. If available, if no such transaction can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss, except for previously revalued tangible fixed assets, where the revaluation was taken to revaluation reserve. In this case, the impairment is also recognised in the revaluation reserve up to the amount of any previous revaluation. After impairment depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or the carrying amount that would have been determined net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

## (g) Revenue recognitions

Revenue is recognised to the extent that it is probable that economic benefits will flow to the company and the revenue can be reliably measured. Asset management fees are recognised net of service tax on an accrual basis in terms of Investment Management Agreement entered into by the Company with IDFC AMC Trustee Company Limited and in accordance with SEBI guidelines.

### **Interest**

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

### **Dividends**

Dividend income is recognised when the Company's right to receive dividend is established at the reporting date.

## (h) Foreign currency transactions

### **Initial recognition**

Foreign currency transactions are recorded in the reported currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of transactions.

### **Conversion**

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

### **Exchange differences**

Exchange differences are recognised as income or as expenses in the period in which they arise.

## (i) Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Rental charges over the term of such leases, after taking into account the escalation clause, are charged to the statement of profit and loss on a straight line basis over the extended lease term.

## (j) Retirement and other employee benefit

Retirement benefit in the form of provident fund, superannuation fund and pension fund is a defined contribution scheme and are charged to the Statement of Profit and Loss as they fall due, based on the amount of contribution required to be made. The Company has no obligation, other than the contribution payable to the provident fund, superannuation fund and pension fund.

## Notes forming part of the Financial Statements

AS AT AND FOR THE YEAR ENDED MARCH 31, 2014

The Company operates a defined plan for its employees, viz., gratuity. The cost of providing benefits under this plan is determined on the basis of actuarial valuation at each year-end which is determined using the projected unit credit method. Actuarial gains and losses for both defined benefit plans are recognised in full in the period in which they occur in the Statement of Profit and Loss.

### (k) Provisions

A provision is recognised when the Company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the reporting date. These are reviewed at each reporting date and adjusted to reflect the current best estimates.

### (l) Income tax

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act 1961, enacted in India and tax laws prevailing in the respective tax jurisdictions where the Company operates. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit and loss.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit and loss.

Deferred tax liabilities are recognised for all taxable timing differences. Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

### (m) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

### (n) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprises cash at bank, cash in hand, fixed deposits with an original maturity of three months or less.

### (o) Earning per share

Basic earnings per share is computed by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

## 04 Share capital

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NUMBER	₹	NUMBER	₹
<b>AUTHORISED SHARES</b>				
Equity shares of ₹ 10 each	25,000,000	250,000,000	25,000,000	250,000,000
<b>ISSUED, SUBSCRIBED &amp; FULLY PAID-UP SHARES</b>				
Equity shares of ₹10 each	2,679,045	26,790,450	2,679,045	26,790,450
<b>TOTAL ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARE CAPITAL</b>		<b>26,790,450</b>		<b>26,790,450</b>

# Notes forming part of the Financial Statements

AS AT AND FOR THE YEAR ENDED MARCH 31, 2014

## (a) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NUMBER	₹	NUMBER	₹
Outstanding at the beginning of the year	2,679,045	26,790,450	2,679,045	26,790,450
Issued during the year	–	–	–	–
<b>Outstanding at the end of the year</b>	<b>2,679,045</b>	<b>26,790,450</b>	<b>2,679,045</b>	<b>26,790,450</b>

## (b) Terms / rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. During the year ended March 31, 2014, dividend of ₹ 250 per share (Previous Year ₹ 75 per share) is recognised as amount distributable to equity shareholder. The dividend proposed by the board of directors is subject to approval of the shareholders in the ensuing AGM.

## (c) Shares held by holding/ultimate holding company

Out of the equity shares issued by the Company, shares held by its holding company, ultimate holding company are as below:

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NUMBER	₹	NUMBER	₹
IDFC Limited (of which 6 shares are held jointly with employees)	2,009,283	20,092,830	2,009,283	20,092,830

## (d) Details of shareholders holding more than 5% of the equity shares in the Company

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NUMBER	% OF HOLDING	NUMBER	% OF HOLDING
IDFC Limited (of which 6 shares are held jointly with employees)	2,009,283	75.00%	2,009,283	75.00%
Natixis Global Asset Management Asia Pte. Ltd.	669,762	25.00%	669,762	25.00%

## 05 Reserves and surplus

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
	₹	₹
<b>(a) SECURITIES PREMIUM ACCOUNT</b>		
Opening balance	221,897,167	221,897,167
Add: Premium on issue of equity shares	–	–
<b>Closing balance</b>	<b>221,897,167</b>	<b>221,897,167</b>
<b>(b) CAPITAL REDEMPTION RESERVE</b>		
Opening balance	197,925,000	197,925,000
Add: Transfer from statement of profit and loss	–	–
<b>Closing balance</b>	<b>197,925,000</b>	<b>197,925,000</b>
<b>(c) GENERAL RESERVE</b>		
Opening balance	65,359,000	38,720,000
Add: Transfer from statement of profit and loss	91,080,000	26,639,000
<b>Closing balance</b>	<b>156,439,000</b>	<b>65,359,000</b>
<b>(d) SURPLUS IN THE STATEMENT OF PROFIT AND LOSS</b>		
Opening balance	159,389,275	154,716,320
Profit for the year	910,796,936	266,388,107
Less: Appropriations		
General reserve	91,080,000	26,639,000
Proposed dividend on equity shares	669,761,250	200,928,375
[₹ 250 per share (Previous Year ₹ 75 per share)]		
Tax on proposed equity dividend (refer note (a) below)	105,328,424	34,147,777
Total appropriations	866,169,674	261,715,152
<b>Net surplus in the statement of profit and loss</b>	<b>204,016,537</b>	<b>159,389,275</b>
<b>TOTAL</b>	<b>780,277,704</b>	<b>644,570,442</b>

(a) Tax on proposed dividend for the year is net of dividend distribution tax of ₹ 8,497,500 (Previous Year ₹ Nil) paid by the subsidiary company under Section 115-O of the Income-tax Act, 1961.

# Notes forming part of the Financial Statements

AS AT AND FOR THE YEAR ENDED MARCH 31, 2014

## 06 Other long-term liabilities (read Note 30)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
	₹	₹
Lease equalisation account	8,835,191	10,268,686
	<b>8,835,191</b>	<b>10,268,686</b>

## 07 Other current liabilities (read Note 30)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
	₹	₹
Lease equalisation account	1,433,495	1,045,587
Statutory dues payable	12,543,649	7,815,419
Other payables	95,132,265	20,757,333
	<b>109,109,409</b>	<b>29,618,339</b>

## 08 Short-term provisions

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
	₹	₹
Other short-term provisions	360,798,686	280,693,771
Provision for gratuity (read with Note 23)	24,418	21,917
Other Provisions		
Provision for income tax (Net of advance tax of ₹766,928,254; Previous Year ₹ 128,258,715)	55,519,499	22,220,285
Proposed equity dividend	669,761,250	200,928,375
Tax on proposed equity dividend	113,825,924	34,147,777
	<b>1,199,929,777</b>	<b>538,012,125</b>

## 09 Tangible assets

	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK	
	BALANCE AS AT APRIL 1, 2013	ADDITIONS	DISPOSALS	BALANCE AS AT MARCH 31, 2014	BALANCE AS AT APRIL 1, 2013	DEPRECIATION CHARGE FOR THE YEAR	ON DISPOSALS	BALANCE AS AT MARCH 31, 2014	BALANCE AS AT MARCH 31, 2014	BALANCE AS AT MARCH 31, 2013
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Leasehold improvements	76,800,022	2,404,877	231,857	78,973,042	55,668,223	13,583,784	161,851	69,090,156	9,882,886	21,131,799
Furniture and fixtures	19,042,173	641,858	90,142	19,593,889	10,451,917	1,743,300	43,846	12,151,371	7,442,518	8,590,256
Office equipment	38,298,676	3,986,241	1,268,391	41,016,526	18,112,895	5,011,813	777,120	22,347,588	18,668,938	20,185,781
Computers	50,824,641	4,609,775	1,070,694	54,363,722	41,614,873	4,804,806	1,025,668	45,394,011	8,969,711	9,209,768
Vehicles	-	3,161,245	-	3,161,245	-	608,826	-	608,826	2,552,419	-
<b>TOTAL</b>	<b>184,965,512</b>	<b>14,803,996</b>	<b>2,661,084</b>	<b>197,108,424</b>	<b>125,847,908</b>	<b>25,752,529</b>	<b>2,008,485</b>	<b>149,591,952</b>	<b>47,516,472</b>	<b>59,117,604</b>
Previous Year	175,107,607	10,949,250	1,091,345	184,965,512	98,106,765	28,679,791	938,648	125,847,908	59,117,604	

## 10 Intangible assets

	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK	
	BALANCE AS AT APRIL 1, 2013	ADDITIONS	DISPOSALS	BALANCE AS AT MARCH 31, 2014	BALANCE AS AT APRIL 1, 2013	DEPRECIATION CHARGE FOR THE YEAR	ON DISPOSALS	BALANCE AS AT MARCH 31, 2014	BALANCE AS AT MARCH 31, 2014	BALANCE AS AT MARCH 31, 2013
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Computer software	41,838,656	1,317,501	-	43,156,157	30,713,391	5,765,362	-	36,478,753	6,677,404	11,125,265
<b>TOTAL</b>	<b>41,838,656</b>	<b>1,317,501</b>	<b>-</b>	<b>43,156,157</b>	<b>30,713,391</b>	<b>5,765,362</b>	<b>-</b>	<b>36,478,753</b>	<b>6,677,404</b>	<b>11,125,265</b>
Previous Year	30,572,589	11,266,067	-	41,838,656	24,945,166	5,768,225	-	30,713,391	11,125,265	
<b>TOTAL TANGIBLE &amp; INTANGIBLE ASSETS</b>	<b>226,804,168</b>	<b>16,121,497</b>	<b>2,661,084</b>	<b>240,264,581</b>	<b>156,561,299</b>	<b>31,517,891</b>	<b>2,008,485</b>	<b>186,070,705</b>	<b>54,193,876</b>	<b>70,242,869</b>
Previous Year	205,680,196	22,215,317	1,091,345	226,804,168	123,051,931	34,448,016	938,648	156,561,299	70,242,869	

## 11 Non-current investments (Trade, at cost unless stated otherwise)

	FACE VALUE ₹	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
		QUANTITY	₹	QUANTITY	₹
Unquoted equity shares (fully paid)					
Investment in subsidiaries					
IDFC Pension Fund Management Company Limited	10	–	–	6,000,001	60,000,010
IDFC Investment Advisors Limited	10	10,000,000	100,000,000	10,000,000	100,000,000
IDFC Investment Managers (Mauritius) Limited	45	57,290	2,569,224	57,290	2,569,224
<b>TOTAL NON-CURRENT INVESTMENTS</b>			<b>102,569,224</b>		<b>162,569,234</b>

## 12 Deferred tax asset (net)

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	₹	₹	₹	₹
Deferred tax asset				
(a) Provisions	3,490,000		3,846,000	
(b) Fixed assets: Impact of difference between tax depreciation and depreciation / amortisation charged for the financial reporting	20,694,000		16,340,000	
		24,184,000		20,186,000
<b>DEFERRED TAX ASSET (NET)</b>		<b>24,184,000</b>		<b>20,186,000</b>

## 13 Loans and advances (unsecured, considered good)

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NON-CURRENT PORTION	CURRENT MATURITIES	NON-CURRENT PORTION	CURRENT MATURITIES
	₹	₹	₹	₹
Loans and advances to employees	–	552,036	–	425,833
Advance against investments	–	500,000	–	–
Security deposits	73,105,820	5,625,200	55,198,508	699,040
Capital / supplier advances	1,585,938	2,779,085	473,641	668,836
Other loans and advances				
Advance tax (Net of provision ₹ 149,710,848; Previous Year ₹ 350,825,601)	53,147,046	–	58,771,177	–
Fringe benefit tax (Net of provision ₹ 12,072,000; Previous Year ₹ 12,072,000)	366,813	–	366,813	–
Balances with government authorities - Service tax credit receivable	–	6,158,786	–	7,944,504
Prepaid expenses	79,165,461	102,933,396	16,422,133	27,782,243
	<b>207,371,078</b>	<b>118,548,503</b>	<b>131,232,272</b>	<b>37,520,456</b>

## 14 Other assets (unsecured, considered good)

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NON-CURRENT PORTION	CURRENT MATURITIES	NON-CURRENT PORTION	CURRENT MATURITIES
	₹	₹	₹	₹
Non-current fixed deposit with a bank	–	–	1,050,000	–
Interest accrued on bank deposits	–	–	42,704	–
	<b>–</b>	<b>–</b>	<b>1,092,704</b>	<b>–</b>



## 15 Current investments

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	QUANTITY	₹	QUANTITY	₹
<b>INVESTMENT IN MUTUAL FUNDS (UNQUOTED)</b>				
IDFC Money Manager Fund - Treasury Plan C - Growth	–	–	106,171	1,353,723
IDFC Dynamic Bond Fund - Growth - (Regular Plan)	19,065,878	249,914,946	23,164,171	299,914,946
IDFC Super Saver Income Fund - Medium Term Plan B - Growth	–	–	4,838,615	55,137,949
IDFC Dynamic Bond Fund - Growth - (Direct Plan)	25,777,179	363,369,125	13,305,186	185,000,000
IDFC Ultra Short Term Fund - Growth - (Direct Plan)	1,816,982	32,500,000	3,705,119	60,313,039
IDFC Cash Fund - Growth - (Direct plan)	245,742	379,675,857	–	–
IDFC Super Saver Income Fund - Medium Term Plan - Growth - Direct	3,215,481	66,500,000	–	–
		<b>1,091,959,928</b>		<b>601,719,657</b>
Aggregate amount of investments in unquoted mutual funds				
Cost		1,091,959,928		601,719,657
Market value (Net asset value)		1,143,177,607		637,879,101
Market value of investments in unquoted mutual funds represents the repurchase price of the units issued by the mutual funds.				
<b>INVESTMENT IN MUTUAL FUNDS (QUOTED)</b>				
IDFC Fixed Term Plan Series 9 Direct Plan - Growth	3,000,000	30,000,000	3,000,000	30,000,000
IDFC Fixed Maturity Plan 366 Days Series 82 - Growth	–	–	10,000,000	100,000,000
IDFC Fixed Term Plan Series 20 Direct Plan - Growth	5,000,000	50,000,000	–	–
IDFC Fixed Term Plan Series 49 Direct Plan - Growth	5,000,000	50,000,000	–	–
IDFC Fixed Term Plan Series 54 Direct Plan - Growth	1,000,000	10,000,000	–	–
IDFC Fixed Term Plan Series 52 Direct Plan - Growth	4,300,000	43,000,000	–	–
IDFC Fixed Term Plan Series 66 Direct Plan - Growth	6,500,000	65,000,000	–	–
IDFC Fixed Term Plan Series 74 Direct Plan - Growth (411 Days)	3,000,000	30,000,000	–	–
IDFC Fixed Term Plan Series 78 Direct Plan - Growth (366 Days)	6,000,000	60,000,000	–	–
		<b>338,000,000</b>		<b>130,000,000</b>
Aggregate amount of investments in quoted mutual funds				
Cost		338,000,000		130,000,000
Market value (Net asset value)		349,414,230		132,731,900
<b>TOTAL CURRENT INVESTMENTS</b>		<b>1,429,959,928</b>		<b>731,719,657</b>

## 16 Trade receivables (unsecured, considered good)

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NON-CURRENT PORTION	CURRENT MATURITIES	NON-CURRENT PORTION	CURRENT MATURITIES
	₹	₹	₹	₹
Outstanding for a period less than six months	–	80,051,032	–	62,858,097
		<b>80,051,032</b>		<b>62,858,097</b>

## 17 Cash and bank balances

	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	NON-CURRENT PORTION	CURRENT MATURITIES	NON-CURRENT PORTION	CURRENT MATURITIES
	₹	₹	₹	₹
<b>CASH AND CASH EQUIVALENTS</b>				
Balances with banks:				
in current accounts	–	108,064,890	–	31,838,753
		<b>108,064,890</b>		<b>31,838,753</b>
<b>OTHER BANK BALANCES</b>				
Fixed deposits with original maturity for more than 12 months	–	–	1,050,000	–
			<b>1,050,000</b>	
Amount disclosed under non current assets	–	–	(1,050,000)	–
		<b>108,064,890</b>		<b>31,838,753</b>

## 18 Revenue from operations

	YEAR ENDED MARCH 31, 2014	YEAR ENDED MARCH 31, 2013
	₹	₹
Management fees (Net of service tax ₹ 321,465,297; Previous Year ₹ 197,356,010)	2,600,851,694	1,596,643,521
	<b>2,600,851,694</b>	<b>1,596,643,521</b>

## 19 Other income

	YEAR ENDED MARCH 31, 2014	YEAR ENDED MARCH 31, 2013
	₹	₹
Interest on income tax refund	1,003,668	16,486,196
Other interest	50,501	89,000
Dividend Income	50,000,000	5,494,234
Net gain / loss on sale of current investments	41,411,911	2,341,206
Profit on sale of long-term investments (refer Note (a) below)	6,786,001	–
Miscellaneous income	62,876	152,852
Provision written back	–	15,915,000
	<b>99,314,957</b>	<b>40,478,488</b>

- (a) Profit on sale of long-term investments of ₹ 6,786,001 for the year ended March 31, 2014 is the profit on sale of 50.01% stake in IDFC Pension Fund Management Company Limited to IDFC Securities Limited.

## 20 Employee benefits expense

	YEAR ENDED MARCH 31, 2014	YEAR ENDED MARCH 31, 2013
	₹	₹
Salaries and bonus	438,300,065	418,562,559
Contribution to provident and other funds	15,854,302	14,179,780
Gratuity	10,163,220	11,568,967
Expense under the ESOS	–	458,441
Staff welfare expenses	18,359,090	18,158,927
<b>TOTAL</b>	<b>482,676,677</b>	<b>462,928,674</b>

- (a) Salaries and bonus includes shortfall of bonus provision for year ended March 31, 2013 of ₹ 4,050,000 on account of change in estimate in provision of bonus.

## 21 Other expenses

	YEAR ENDED MARCH 31, 2014	YEAR ENDED MARCH 31, 2013
	₹	₹
Rent	104,022,060	91,168,502
Rates and taxes	877,352	1,727,286
Electricity	11,287,130	11,825,344
Repairs and maintenance		
Buildings	–	959
Equipments	3,192,765	2,537,387
Others	26,905,891	23,351,203

## Notes forming part of the Financial Statements

AS AT AND FOR THE YEAR ENDED MARCH 31, 2014

	YEAR ENDED MARCH 31, 2014	YEAR ENDED MARCH 31, 2013
	₹	₹
Insurance charges	1,322,112	1,374,110
Travelling and conveyance	23,145,919	22,584,721
Printing and stationery	15,228,681	8,070,304
Communication costs	31,064,762	24,424,829
Advertising and publicity	41,823,849	23,893,652
Listing and rating Fees	1,120,440	1,289,450
Loss on sale of fixed assets (net)	391,203	119,469
Professional fees	87,724,451	77,548,363
Directors' sitting fees	460,000	420,000
Membership and subscription	25,947,972	21,303,962
Auditors' remuneration (refer Note (a) below)	1,441,852	862,539
Scheme issue expenses (refer Note (b) below)	78,961,917	54,101,935
Shared service cost (refer Note (c) below)	11,492,588	19,754,481
Operational costs (refer Note (e) below)	329,870,804	320,089,484
Miscellaneous expenses	12,037,399	13,835,232
	<b>808,319,147</b>	<b>720,283,212</b>

(a) Break up of auditors' remuneration:

	YEAR ENDED MARCH 31, 2014	YEAR ENDED MARCH 31, 2013
	₹	₹
Audit fee	650,000	550,000
Tax audit fee	250,000	200,000
Other services	487,650	90,000
Out of pocket expenses	54,202	22,539
	<b>1,441,852</b>	<b>862,539</b>

- (b) Scheme issue expenses are the expenses incurred by the Company towards launching of schemes and plans of IDFC Mutual Fund during the year.
- (c) Shared service cost represents reimbursement to holding company under a shared service agreement (Net of ₹ 5,208,258 recovered).
- (d) Expenses incurred on behalf of schemes of IDFC Mutual Fund are charged to the statement of profit and loss unless considered recoverable from schemes.
- (e) Operational costs comprises of expenses which are incurred by mutual fund schemes over and above the expense limits prescribed by SEBI, interest charged by bank to the Mutual Fund on account of temporary borrowings or overdrafts and payments made to investors of Mutual Fund on account of delay in payment of redemption proceeds which are borne by the Company.

## 22 Expenditure in foreign currencies (on accrual basis)

	YEAR ENDED MARCH 31, 2014	YEAR ENDED MARCH 31, 2013
	₹	₹
Advertising - Media	1,125,733	–
Books and periodicals	–	10,194
Computer software and subscription	–	1,136,206
Filing fees	–	20,829
Foreign travel	132,108	84,903
Other professional fees	93,105	–
Realised loss - Foreign exchange	–	2,649.62

# Notes forming part of the Financial Statements

AS AT AND FOR THE YEAR ENDED MARCH 31, 2014

**23** In accordance with Accounting Standard 15 on 'Employee Benefits' as notified by the Companies (Accounting Standards) Rules, 2006 the following disclosures have been made:

- i. The Company has recognised the following amounts in the statement of profit and loss towards contribution to defined contribution plans which are included under contribution to provident and other funds:

	MARCH 31, 2014	MARCH 31, 2013
	₹	₹
Provident fund	12,842,233	11,799,550
Superannuation fund	1,371,890	1,420,785
Pension fund	1,640,179	959,445

- ii. The details of the Company's post - retirement gratuity benefit plans for gratuity for its employees are given below which are certified by the actuary and relied upon by the auditors:

	MARCH 31, 2014	MARCH 31, 2013
	₹	₹
<b>CHANGE IN THE DEFINED BENEFIT OBLIGATIONS:</b>		
Liability at the beginning of the year	25,897,310	16,945,829
Current service cost	7,640,292	7,606,790
Interest cost	2,535,231	2,081,682
Liabilities extinguished on settlement	—	—
Liabilities assumed on acquisition / (settled on divestiture)	(22,684)	—
Benefits paid	(2,688,620)	(2,595,569)
Actuarial Losses / (Gain)	1,467,677	87,647
Past Service Cost	—	1,770,931
Closing Defined Benefit Obligation	34,829,206	25,897,310
Unrecognised Past Service Cost	—	—
Liability at the end of the year	34,829,206	25,897,310

#### FAIR VALUE OF PLAN ASSETS:

Fair value of plan assets at the beginning of the year	26,487,620	—
Expected return on plan assets	2,189,063	—
Contributions	7,472,099	24,629,006
Benefits paid	(2,688,620)	(2,595,569)
Actuarial gain / (loss) on plan assets	(753,684)	3,863,873
Unrecognised past service cost	(590,310)	590,310
Fair value of plan assets at the end of the year	32,116,168	26,487,620
Total actuarial loss / (gain) to be recognised	2,221,361	(3,776,226)

#### ACTUAL RETURN ON PLAN ASSETS:

Expected return on plan assets	2,189,063	—
Actuarial gain / (loss) on plan assets	(753,684)	3,863,873
Actual return on plan assets	1,435,379	3,863,873

#### AMOUNT RECOGNISED IN THE BALANCE SHEET:

Liability at the end of the year	34,829,206	25,897,310
Fair value of plan assets at the end of the year	(32,116,168)	(26,487,620)
Amount recognised in the balance sheet under "Provision for employee benefits"	2,713,038	(590,310)

#### EXPENSE RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS:

Current service cost	7,640,292	7,606,790
Interest cost	2,535,231	2,081,682
Expected return on plan assets	(2,189,063)	—
Net actuarial loss / (gain) to be recognised	2,221,361	(3,776,226)
Past Service Cost	590,310	1,180,621

# Notes forming part of the Financial Statements

AS AT AND FOR THE YEAR ENDED MARCH 31, 2014

	MARCH 31, 2014	MARCH 31, 2013
	₹	₹
Loss / (Gains) on Acquisition / Divestiture	–	–
Liabilities assumed on acquisition / (settled on divestiture)	(22,684)	–
Expense recognised in the statement of profit and loss under 'Employee benefits expense'	10,775,447	7,092,867
<b>RECONCILIATION OF THE LIABILITY RECOGNISED IN THE BALANCE SHEET:</b>		
Opening net Liability	(590,310)	16,945,829
Expense recognised	10,775,447	7,092,867
Contribution by the Company	(7,472,099)	(24,629,006)
Amount recognised in the balance sheet under "Gratuity"	2,713,038	(590,310)
Expected employer's contribution next year	7,000,000	7,000,000

## Experience adjustments:

	MARCH 31, 2014	MARCH 31, 2013	MARCH 31, 2012	MARCH 31, 2011	MARCH 31, 2010
	₹	₹	₹	₹	₹
Defined benefit obligation	34,829,206	25,897,310	18,716,760	10,974,963	3,718,700
Plan assets	32,116,168	25,897,310	–	–	–
Surplus / (deficit)	(2,713,038)	–	(18,716,760)	(10,974,963)	(3,718,700)
Exp. Adj. on plan liabilities	3,130,977	(782,789)	1,136,092	2,504,509	(326,961)
Exp. Adj. on plan assets	(753,684)	3,863,873	–	–	–

	MARCH 31, 2014	MARCH 31, 2013
	(%)	(%)
<b>PRINCIPAL ASSUMPTIONS:</b>		
Discount rate (p.a.)	9.00	8.05
Expected rate of return on assets (p.a.)	8.00	8.00
Salary escalation rate (p.a.)	8.00	8.00

The estimate of future salary increase, considered in the actuarial valuation takes account of inflation, seniority, promotion and other relevant factors.

**24** The Company is an Asset Management Company to IDFC Mutual Fund business. During the year ended March 31, 2014, the Company was engaged in only one business segment no geographical segments and as such there are no separate reportable segments, as required by Accounting Standard 17 on 'Segment Reporting' as notified by the Companies (Accounting Standards) Rules 2006.

## 25 Related party disclosures

Names of the related parties where control exists irrespective of whether transactions have been occurred or not:

### I. Holding Company:

IDFC Limited

Names of the related parties with which there are transactions during the year:

### II. Subsidiaries:

IDFC Investment Advisors Limited

IDFC Pension Fund Management Company Limited

IDFC Investment Managers (Mauritius) Limited

### III. Fellow Subsidiaries

IDFC AMC Trustee Company Limited

IDFC Foundation

### IV. Key management personnel:

Mr. Naval Bir Kumar - Vice Chairman

Mr. Kalpen Parekh - CEO

Mr. Nikhil Sanghai - Manager

# Notes forming part of the Financial Statements

AS AT AND FOR THE YEAR ENDED MARCH 31, 2014

The nature and volume of transactions carried out with the above related parties in the ordinary course of business are as follows:

		MARCH 31, 2014	MARCH 31, 2013
		₹	₹
<b>I. Holding Company:</b>			
IDFC Limited	Reimbursement of expenses	12,728,846	9,213,464
	ESOP cost paid	–	458,441
	Shared service cost paid	16,700,873	23,510,841
	Recovery of expenses	587,064	731,931
<b>II. Subsidiaries:</b>			
IDFC Investment Advisors Limited	Reimbursement of expenses	–	26,838
	Deputation charges paid	2,933,509	2,154,286
	Recovery of expenses	3,255,791	3,075,723
	Business centre fees recovered	2,676,000	2,676,000
	Dividend Received	50,000,000	–
	Free of cost service - salary cost of manager reimbursible to subsidiary	–	–
IDFC Pension Fund Management Company Limited	Recovery of expenses	10,950	3,521,869
	Business centre fees and support cost recovered	390,000	1,080,360
	Balance receivable	–	–
<b>III. Fellow Subsidiaries:</b>			
IDFC AMC Trustee Company Limited	Recovery of expenses (net of reimbursement)	134,656	175,704
IDFC Foundation	Business centre fees recovered	2,142,285	–
<b>IV. Key Management Personnel:</b>			
Mr. Naval Bir Kumar	Remuneration paid	41,457,822	38,000,000
	Reimbursement of business expenses	177,058	79,620
Mr. Kalpen Parekh	Remuneration paid	20,368,996	18,119,602
	Reimbursement of business expenses	88,855	118,349

**26** In accordance with Accounting Standard 19 on 'Leases' as notified by the Companies (Accounting Standards) Rules, 2006, the following disclosures in respect of operating leases are made:

- i. The Company has taken a copier machine under irrevocable rental agreement (expiring on April 4, 2013 and April 5, 2014) from En Em Business Solutions. The committed rentals in the future are:

	MARCH 31, 2014	MARCH 31, 2013
	₹	₹
Not later than one year	583	42,000
Later than one year and not later than five years	–	583

- ii. The Company has taken vehicles for five employees under cancellable operating leases which is included under salaries as follows:

NAME OF THE LESSOR	EARLIEST EXPIRY DATE	LATEST EXPIRY DATE	MARCH 31, 2014	MARCH 31, 2013
			₹	₹
Lease Plan India Limited	October 2012	–	–	132,968
ALD Automative Private Limited	January 2015	September 2016	886,467	914,491

The total future minimum lease payments under cancellable operating lease for each of the periods is given below:

	MARCH 31, 2014	MARCH 31, 2013
	₹	₹
Not later than one year	642,532	886,467
Later than one year and not later than five years	381,460	1,023,992

## Notes forming part of the Financial Statements

AS AT AND FOR THE YEAR ENDED MARCH 31, 2014

- iii. The Company has entered into cancellable as well as non-cancellable leasing arrangements for office premises at various locations in India generally for a period of 36 months. As per the term of the lease all maintenance charges and municipal levies are borne by the lessee.

The total future minimum lease payments under non-cancellable operating lease for each of the periods is given below:

	YEAR ENDED MARCH 31, 2014 ₹	YEAR ENDED MARCH 31, 2013 ₹
Not later than one year	65,659,608	76,865,431
Later than one year and not later than five years	2,779,903	63,585,235

The terms of renewal and escalation clauses are those normally prevalent in similar agreements.

- 27** In accordance with Accounting Standard 20 on 'Earnings Per Share' as notified by the Companies (Accounting Standards) Rules, 2006:

The basic / diluted earnings per share has been calculated based on the following:

	YEAR ENDED MARCH 31, 2014 ₹	YEAR ENDED MARCH 31, 2013 ₹
Net profit after tax	910,796,936	266,388,107
Net amount available for equity shareholders	910,796,936	266,388,107
Weighted average number of equity shares (Nos.)	2,679,045	2,679,045
Basic and diluted earnings per equity share (₹)	339.97	99.43

- 28** Estimated amount of contracts remaining to be executed and not provided for ₹ 3,808,451 (Previous Year ₹ 4,337,373).

- 29** Contingent liabilities not provided for in respect of:

	YEAR ENDED MARCH 31, 2014 ₹	YEAR ENDED MARCH 31, 2013 ₹
(a) Claims not acknowledged as debts in respect of:		
i. Income-tax demand, disputed by the Company in respect of A.Y. 2007-08. The matters in dispute are under appeal.	791,327	791,327
ii. Income-tax demand, disputed by the Company in respect of A.Y. 2010-11. The matters in dispute are under appeal.	853,607	853,607
(b) Bank guarantees issued on behalf of a subsidiary	–	1,000,000
(c) Income Tax demand on Mutual Fund on account of non-payment of tax on income from pass through certificates by the issuing trust	4,860,729	1,785,801

- 30** As per information available with the Company, there are no micro, small or medium enterprises as defined in 'The Micro, Small and Medium Enterprises Development Act, 2006', to whom the Company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made. The above information regarding micro, small and medium enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company and relied upon by the auditors.

- 31** The figures for the previous year have been regrouped wherever necessary, in order to make them comparable to the current period.

## Statement Pursuant to Section 212

OF THE COMPANIES ACT, 1956

NAME OF SUBSIDIARY COMPANIES	IDFC INVESTMENT ADVISORS LIMITED	IDFC INVESTMENT MANAGERS (MAURITIUS) LIMITED	
	₹	USD	₹
The financial year of the Subsidiary Companies ended on	March 31, 2014	March 31, 2014	
Number of shares in the Subsidiary Companies held by IDFC Asset Management Company Limited and its subsidiaries at the above date	10,000,000 shares of ₹ 10 each	57,290 shares of USD 1 each	–
Holding Company's interest in percentage	100.00%	100.00%	–
The net aggregate of profits of the Subsidiary Companies so far as these concern the member of IDFC Asset Management Company Limited			
(i) dealt with in the accounts of IDFC Asset Management Company Limited amounted to:			
(a) for subsidiaries' financial year ended on March 31, 2014	–	–	–
(b) for previous financial years of the subsidiaries since these became subsidiaries of IDFC Asset Management Company Limited	–	–	–
(ii) not dealt with in the accounts of IDFC Asset Management Company Limited amounted to:			
(a) for subsidiaries' financial year ended on March 31, 2014	87,454,436	(126,614)	(7,715,428)
(b) for previous financial years of the subsidiaries since these became subsidiaries of IDFC Asset Management Company Limited	163,196,748	61,578	2,600,622