

2016-17

ALL THE SCHEMES

OF

AUDITED FINANCIAL STATEMENTS

COMPRISING

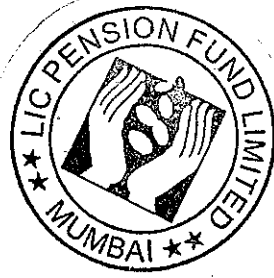
ANNUAL REPORT

LIC PENSION FUND LIMITED

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Name of the Scheme	AUM as on 31.03.2017 (Rs. In Cr.)	NAV as on 31.03.2017	Amount Received during 2016-17 (Rs in Cr)	AUM as on 31.03.2016 (Rs. In Cr.)	NAV as on 31.03.2016
Central Govt. Scheme	20,721.72	23,9808	3884.01	14,721.97	21,1809
State Govt. Scheme	28188.31	21,4375	6231.92	19,119.86	18,9238
NPS Lite Scheme	759.66	19,7232	64.67	607.40	17,3643
Corporate-CG-Scheme	1872.99	15,8133	1057.15	671.32	13,8870
E Tier I	220.78	16,0524	86.58	104.95	13,2415
C Tier I	137.83	15,1425	56.27	71.42	13,5637
G Tier I	175.85	15,5362	91.89	71.18	13,5910
E Tier II	3.69	13,4738	2.42	0.90	11,1234
C Tier II	3.26	14,2400	2.23	0.83	12,6788
G Tier II	4.30	<del>15,5579</del> 15,5779	2.98	1.06	13,7035
Atal Pension Yojana (APY)	620.79	12,1823	413.58	166.87	10,7131
A Tier I	0.07	10,2511	0.07	N.A.	N.A.
A Tier II	0.01	10,1274	0.01	N.A.	N.A.
Total	52,709.26		11,893.78	35,537.76	

## Asset under Management

LIC Pension Fund Limited was incorporated in 2007 under the Companies Act 1956 by Life Insurance Corporation of India, the sponsor, with the main objective to act as a Fund Manager for managing the funds received from NPS Trust. The Company manages the investment portfolio as prescribed in the Investment Management Agreement (IMA) signed between NPS Trust and LIC Pension Fund Limited as well as according to Investment guidelines issued by Pension Fund Regulatory & Development Authority (PFRDA) from time to time. Till 2012-13, LIC PFL has been managing the funds for Central Government Scheme, State Government Scheme, NPS Lite Scheme (on Govt. Pattern) and Corporate CG Scheme. On 18.04.2013, LIC Pension Fund was authorized by the PFRDA to manage the NPS Funds for Private sector also and an IMA (Investment Management Agreement) was signed between the LIC Pension Fund Ltd and NPS Trust stating the terms and conditions of managing pension fund under private sector. In the year 2015-16, a new scheme Atal Pension Yojana (APY) was introduced and LIC Pension Fund Ltd was interested with managing the funds under the scheme as one of the fund manager. During the current financial year two more new schemes under private sector was introduced from 1<sup>st</sup> October 2016 by PFRDA and LIC Pension Fund Ltd is one of the fund managers to receive NPS fund under these schemes.

## Background

LIC PENSION FUND LIMITED  
Annual Report (Schemes) 2016-17

Allocation of Assets as on 31.03.2017

1) Central Govt. Scheme (Rs in crore)

Name of the Scheme	Govt. Security (including SDLs)	NCDs/NCBS	Equity	Money Market Instruments	Other (cash & cash equivalents)	Total
Allocation as on 31.03.2017	10,076.13	7,243.02	2,769.95	138.70	493.32	20,721.72
Allocation as on 31.03.2016	7,668.27	5,151.26	1,440.10	61.76	400.59	14,721.97
	48.63%	34.95%	13.37%	0.67%	2.38%	100.00%
	52.09%	34.99%	9.78%	0.42%	2.72%	100.00%

2) State Govt. Scheme (Rs in crore)

Name of the Scheme	Govt. Security (including SDL)	NCDs/NCBS	Equity	Money Market Instruments	Other (cash & cash equivalents)	Total
Allocation as on 31.03.2017	13606.28	9888.45	3574.59	381.97	737.02	28188.31
Allocation as on 31.03.2016	9779.21	6859.76	1798.55	148.79	533.55	19119.86
	48.27%	35.08%	12.68%	1.36%	2.61%	100.00%
	51.15%	35.88%	9.41%	0.78%	2.79%	100.00%

3) NPS Lite Scheme (Rs in crore)

Name of the Scheme	G Security (including SDL)	NCDs/NCBS	Equity	Money Market Instruments	Other (cash & cash equivalents)	Total
Allocation as on 31.03.2017	363.15	273.58	101.63	12.90	8.40	759.66
Allocation as on 31.03.2016	322.70	205.50	56.02	6.24	16.95	607.40
	47.80%	36.02%	13.38%	1.69%	1.11%	100.00%
	53.13%	33.83%	9.22%	1.03%	2.79%	100.00%

4) Corporate CG Scheme (Rs in crore)

Name of the Scheme	G Security (including SDL)	NCDs/NCBS	Equity	Money Market Instruments	Other (cash & cash equivalents)	Total
Allocation as on 31.03.2017	910.63	662.74	249.98	8.80	40.84	1872.99
Allocation as on 31.03.2016	326.28	251.35	72.39	4.55	16.75	671.32
	48.62%	35.38%	13.35	0.47%	2.18%	100.00%
	48.60%	37.44%	10.78%	0.68%	2.50%	100.00%





Name of the Scheme	Equity Portfolio	Money Market Instruments	Other (cash & equivalents)	Total
Allocation as on 31.03.2017	3.47	0.10	0.12	3.69
Allocation as on 31.03.2016	0.85	0.03	0.02	0.90
	94.04%	2.76%	3.20%	100.00%
	94.64%	3.20%	2.16%	100.00%

8) Scheme E, Tier II (Rs in crore)

Name of the Scheme	Govt. Securities (incl. SID's)	Money Market Instruments	Other (cash & equivalents)	Total
Allocation as on 31.03.2017	162.99	8.34	4.52	175.85
Allocation as on 31.03.2016	65.28	0.69	5.21	71.18
	92.69%	4.74%	2.57%	100.00%
	91.72%	0.96%	7.32%	100.00%

7) Scheme G, Tier I (Rs in crore)

Name of the Scheme	Debt Portfolio	Money Market Instruments	Other (cash & equivalents)	Total
Allocation as on 31.03.2017	128.53	5.01	4.29	137.83
Allocation as on 31.03.2016	66.54	2.1	2.77	71.42
	93.25%	3.63%	3.12%	100.00%
	93.17%	2.94%	3.88%	100.00%

6) Scheme C, Tier I (Rs in crore)

Name of the Scheme	Equity Portfolio	Money Market Instruments	Other (cash & equivalents)	Total
Allocation as on 31.03.2017	215.12	6.37	-0.71	220.78
Allocation as on 31.03.2016	99.26	4.87	0.82	104.95
	97.44%	2.88%	-0.32%	100.00%
	94.58%	4.64%	0.79%	100.00%

5) Scheme E, Tier I (Rs in crore)



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Allocation as on 31.03.2016	N.A.	N.A.	N.A.	Allocation as on 31.03.2016
Allocation as on 31.03.2017	0.00	0.06	93.47%	Allocation as on 31.03.2017
Name of the Scheme	Alternative Investments	Money Market Instruments	Other (cash & equivalents)	Total

12) Scheme A, Tier I (Rs in crore)

Allocation as on 31.03.2016	78.89	62.13	18.61	11.15%	1.70%	2.64%	100.00%
Allocation as on 31.03.2017	304.41	211.12	84.84	13.67%	1.45%	1.83%	100.00%
Name of the Scheme	G Security (including SDL)	NCDs/NCBS	Equity	Money Market Instruments	Other (cash & equivalents)	Total	

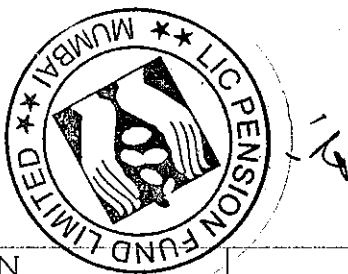
11) Atal Pension Yojana (APY) (Rs in crore)

Allocation as on 31.03.2016	0.0996	0.0035	0.0015	0.0015	1.45%	100.00%
Allocation as on 31.03.2017	4.13	0.09	2.13%	1.68%	0.07	100.00%
Name of the Scheme	Govt. Securities including SDL	Money Market Instruments	Other (cash & equivalents)	Total		

10) Scheme G, Tier II (Rs in crore)

Allocation as on 31.03.2016	0.77	0.04	0.04	0.02	2.99%	100.00%
Allocation as on 31.03.2017	2.90	0.13	4.10%	6.90%	0.22	100.00%
Name of the Scheme	Debt Portfolio	Money Market Instruments	Other (cash & equivalents)	Total		

9) Scheme C, Tier II (Rs in crore)



Name of the Scheme	5 Year Rolling CAGR	3 Year Rolling CAGR	Annualized Return for 1 Yr
Central Govt Scheme	11.12%	12.60%	13.35%
State Govt Scheme	11.34%	12.76%	13.33%
NPS Lite Scheme (Govt pattern)	11.42%	12.80%	13.65%
Corporate CG Scheme	N.A.	12.90%	13.87%
Atal Pension Yojana (APY)	N.A.	N.A.	13.71%
E Tier I	N.A.	12.49%	21.22%
C Tier I	N.A.	12.15%	11.64%
G Tier I	N.A.	13.76%	14.31%
E Tier II	N.A.	10.90%	21.13%
C Tier II	N.A.	10.97%	12.31%
G Tier II	N.A.	13.33%	13.68%
A Tier I	N.A.	N.A.	5.34%
A Tier II	N.A.	N.A.	2.71%

Performance at a glance as on 31.03.2017 \*

Investment objectives of the schemes: - The Central Government has introduced the National Pension System (NPS) with effect from 01 January 2004, initially for the new entrants to Central Government services (excluding Armed Forces) State Government services, with an objective to promote old age income security by establishing, developing and regulating pension funds. LIC Pension fund was selected along with other two fund managers, SBI Pension Fund Pvt. Ltd and UTI Retirement Solution Ltd through a selection process to manage the NPS funds for Govt. Sector. This was further renewed pursuant to a Request for Proposal (RFP) dated 16<sup>th</sup> February, 2012 floated by PFRDA for managing the pension assets of the government employees, including employees of Central Government autonomous organizations, covered by the NPS notified from 01.01.2004. Further as per directive of PFRDA, Corporate CG scheme was carved out of Central Govt. Scheme on 1.11.2012. On 18.04.2013, LIC Pension Fund was authorized by the PFRDA to manage the NPS Funds for Private sector also.

The AUM as on 31.03.2017 was Rs 52,709.26 crore (taking all the schemes together) as against Rs 35,537.76 crore as on 31.03.2016, with a growth of 48.32%. The growth in the AUM of Central Govt. Scheme was 40.75%, State Govt. scheme was 47.43%, NPS Lite Scheme was 25.07%, Corporate CG Scheme was 179.00% and for Atal Pension Yojana growth was 272.05% for the financial year 2016-17. For private sector, the growth was 118.02% for all the Private Schemes E, C, G and A (Tier I & II) as a whole for the financial year 2016-17. During the current financial year two new scheme named A Tier and A Tier II were introduced by the NPS Trust/PFRDA from 1.10.2016.

Name of the Scheme	Allocation as on 31.03.2017	Allocation as on 31.03.2016
Alternative Investments	0.00	N.A.
Money Market Instruments	0.01	N.A.
Other (cash & equivalents)	0.00	N.A.
Total	0.01	N.A.

(13) Scheme A, Tier II (Rs in crore)



\* Past performance may or may not be sustained in future.

The above table reflects the annualized returns of each scheme which reflects our performance. We are confident that with our steady performance & promoter credential i.e., LIC's brand name, we will be able to serve the very basic purpose of the schemes for Govt. Sector as well as of Private Sector.

#### Basis and Policy of Investments underlying the scheme:-

Funds received from NPS Trust through Axis Bank (the Trustee Bank) under eleven schemes managed by LIC PFL are invested as per investment pattern stipulated by PFRDA and the terms and conditions laid down in Schedule II (for Govt. and Private sector) of the Investment Management Agreement (IMA). The Investment Guidelines issued by PFRDA from time to time and the internal investment guidelines approved by the Board of LIC PFL, for the investment of funds in equity, debt & money market instruments also contain exposure norms, prudential norms, minimum required credit rating, financials of the company, price volatility, returns generated as compared to the benchmark etc which are taken into consideration before arriving at any investment decision. It is ensured that each scheme maintains appropriate mix of long/short term duration of instruments to ensure that liquidity is available to meet redemptions as and when necessary and the scheme generated market related returns. Efforts are taken to minimize the risks associated with investment by continuous monitoring of the financials of the companies in which investments have been made, identifying the risks and steps to be taken to mitigate these risks as laid down in the risk policy. The primary objective of generating reasonable returns on the long term savings of the subscribers is always kept in mind for taking any investment decision.

The investments under the schemes are made in securities such as Equity, Bonds, Debentures, Govt. Securities including State Development Loans, Fixed Deposits and Money market Instruments etc.. The valuation of all the securities is done on Marked to Market basis as provided by Stock Holding Corporation of India Ltd (SHCIL) except fixed Deposits which is valued on amortization basis. The Price and redemption value of the units can go up as well as down with the fluctuations in the market value of its underlying investment.

#### Liabilities and responsibilities of the Pension Fund:-

The Pension Fund is responsible for managing the funds received from NPS Trust through its trustee bank i.e. Axis Bank (Current Trustee Banker)/Bank of India (Previous Trustee Banker), on day to day basis in accordance with the investment Guidelines, Scheme Objectives, the Deed of Trust and provisions of the PFRDA, rules/guidelines/directions/notifications/circulars/regulations and law in force from time to time. The LICPFL acts as the Investment Manager of the Schemes with respect to the investment and reinvestment of the cash, securities and other properties comprising the assets of each scheme with full discretionary authority in accordance with the investment policies set forth in the IMA and guidelines/directions issued by NPS Trust/PFRDA from time to time. All transactions entered into by LICPFL are in accordance with the PFRDA Guidelines, Trust deed and the Code of ethics prescribed by the NPS Trust.

While taking investment decisions for all class of assets, LIC PFL has taken all due diligence, promptness and vigilance in carrying out its duties and in protecting the rights and interest of the subscribers, with emphasis on safety and security with optimum returns. LIC PFL has not invested any amount in speculative transactions.



There is a team of well qualified and experienced professionals in the Company, who are managing the funds of the Schemes.

LICPFL was incorporated by the Sponsor exclusively to manage the Pension Schemes independently and take adequate steps to ensure that the interests of the subscribers are not compromised in any manner and does not undertake any other business activity except activities relating to Pension Fund management for pension schemes regulated by PFRDA and not charged any fees on investment of its own assets to the schemes.

LICPFL has not given any undue or unfair advantage to any associates or dealt with any of its associate company in any manner detrimental to interest of the subscribers. LICPFL has not utilised the services of the sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and sale of securities. During last year not even a single transaction was there with LIC of India, the Sponsor (if any), and the same was reported as NIL to NPS Trust in our monthly / Quarterly statements.

LICPFL is providing information on performance of NAV, portfolio composition for all the schemes managed by the Company to subscribers through Central Record Keeping Agency (CRA) and displaying the same in the Company's website regularly.

LICPFL is complying with all the provisions of the guidelines and all investments are made in the interest of the subscribers, prescribed by the PFRDA/NPS Trust from time to time and deviations, if any, are regularly being reported to PFRDA/NPS Trust.

LICPFL has not invested any amount of the pension fund outside the territory of India either directly or indirectly.

LIC Pension Fund shall be liable to make good any such losses arising out of any breach of the clauses of the IMA or have failed to discharge of its duty with due care and diligence or have failed to observe or perform any representation, warranty or undertaking given under the agreement.

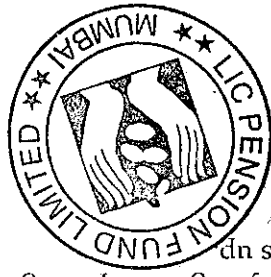
#### Evaluation of Current Economic conditions:

#### Indian Economy:

The Indian economy advanced 7 percent year-on-year in the last three months of 2016, slowing from an upwardly revised 7.4 percent rise in the previous quarter but beating expectations of a 6.4 percent growth. The expansion was mainly driven by a surge in public spending and agriculture. The GDP is expected to grow at 7.1 percent in the fiscal year ending on March 2017. GDP Annual Growth Rate in India averaged 6.10 percent from 1951 until 2016, reaching an all time high of 11.40 percent in the first quarter of 2010 and a record low of -5.20 percent in the fourth quarter of 1979.

Industrial production surprises positively:

After a transient drop in industrial production, January 2017 IIP growth rebounded at 2.70% as against (-) 0.1% in December 2016. While the upturn was partly because of favorable base effect, quick pace of re-monetization has helped restore a sequential increase in industrial production by 4% month on month. The growth has been primarily led by higher capital goods and consumer durable goods production as the pace of re-monetization picks up.



Within manufacturing, nine out of the 22 groups have shown positive growth with 'electrical machinery' registering the highest positive growth of 42.4% followed by 21.8% in 'radio, TV and communication equipment & apparatus' and 12.4% in 'basic metals'. Meanwhile, 'office, accounting and computing machinery' has shown the highest negative growth of (-)16% followed by (-)14.8% in 'food products and beverages' and (-)13.4% in 'other transport equipment'.

Mining sector production grew 5.3% after growing 5.5% in December. Electricity production growth was at 3.9% from 6.3% in December. The cumulative IIP growth is 0.6% in 10MFY17.

Capital goods production surged 10.7% after a contraction of (-) 3.9% in December. After a brief hiatus, 'insulated cable, rubber' (weight: 0.12%) sector has again contributed the highest to the IIP growth (282.8%), followed by 'HR coils/skelp' (40.0%) and 'telephone instruments including mobile phones and accessories' (31.7%). Meanwhile, consumer durables production saw a growth of 2.9% compared to (-) 8.9% in December indicating stability in urban demand. However, non-durables sector production growth remained sluggish at (-) 3.2% suggesting that rural demand remains tepid. Overall, the deceleration in consumer goods sector slowed to (-) 1% compared to (-) 6.0% in December. Notably, some sectors like gems and jewelry and textiles continue to reel from the aftereffects of demonetization, contributing negatively to IIP growth.

#### CPI inflation accelerated to 3.65% in February 2017.

CPI inflation accelerated to 3.65% in February after the lows of 3.2% seen in January. While there was an unfavorable base effect, sequential increase in prices of some subcomponents also contributed to the rise. Food inflation contracted marginally (-) 0.1% (mom), with year-on-year print of 2.0% from 1.8% in January. On a sequential basis, the downturn was owing to continued contraction in pulses ((-4.5% while sugar (1.6%) and fruits (1.7%) have accelerated further and vegetables and cereals seem to have bottomed out. High frequency data for mandi prices are indicating a mixed picture with pulses showing continuation of correction while cereals and vegetables prices show further pick-up.

Core inflation eased marginally to 4.75% from 4.95% in January despite printing a second consecutive month of sequential increase. Miscellaneous items inflation eased to 4.8%. Within miscellaneous, personal care and effect category eased substantially to 5.1%, even as sequentially it picked up. Transport and communication (T&C) category increased 0.3% month-on-month reflecting increase in petrol and diesel pump prices with the annual print at 5.4%. Refined core inflation (core inflation ex-petrol and diesel within T&C) would have seen further drop. While the internals of this component will be released later, we expect February 'refined' core inflation around 4.3% (in contrast to the commonly tracked core inflation)

#### Fiscal prudence:

The Union Budget for FY 2018 had maintained the trend of a lower fiscal deficit without compromising on investment requirements. The Fiscal Responsibility and Budget Management (FRBM) Review Committee has favoured total Government debt to GDP of 60% by 2023 and fiscal deficit of 3% for the next three years with an escape clause of 0.5% to provide some spending facility. FY 2018, the fiscal deficit was targeted of 3.2% and committed to achieve 3% in FY2019.

Current Account Deficit (CAD) remained broadly comfortable in Q2FY2017, at US\$ 3.4 billion (0.6% of GDP), higher than US\$ 0.3 billion (0.1% of GDP) in Q1FY2017 even as it deteriorated compared to Q1FY17 on the back of lower invisible receipts and higher trade deficit. Capital account inflows have been strong buoyed by FDI flows and boosting BOT supplies to US\$ 37.2 billion.



2QFY17 saw capital flows buoyed by net FDI flows, which increased to US\$17.2 bn compared to US\$4.1 bn in 1QFY17. Net FPI flows also strengthened with net inflows of US\$6.1 bn against US\$2.1 bn in 1QFY17 helped by robust improvement in debt flows. However, this trend has reversed in 3QFY17 and will be a drag on capital flows.

ECBs witnessed net outflow of US\$2.5 bn owing to repayments of overseas borrowings while accretion to NRI deposits increased marginally to US\$2.1 bn from US\$1.4 bn in 1QFY17. BOP surplus improved to US\$8.5 bn against US\$7 bn in 4QFY16.

On Monetary policy front, Reserve Bank of India (RBI) at its meeting held on 6<sup>th</sup> April 2017 kept policy rate unchanged at 6.25%. However, the RBI narrowed the policy rate corridor to 50 bps from 100 bps. Thus it hiked the reverse repo rate by 25 bps from 5.75% to 6.0% and cut the marginal standing facility (MSF) rate by 25 bps to 6.50% from 6.75%.

The Monetary Policy Committee (MPC) reiterated its commitment to bring headlines CPI inflation closer to its target of 4% on durable basis and in a calibrated manner. Thus, the MPC decided to keep the repo unchanged while maintaining its neutral policy stance. The future course of monetary policy will be largely data dependent on how macroeconomic conditions are evolving.

### Global Economy:

Global growth for 2016 is now estimated at 3.1 percent, in line with the October 2016 forecast. Economic activity in both advanced economies and Emerging Markets and Developing Economies (EMDEs) is forecast to accelerate in 2017-18, with global growth projected to be 3.4 percent and 3.6 percent, respectively, again unchanged from the October forecasts.

Advanced economies are now projected to grow by 1.9 percent in 2017 and 2.0 percent in 2018, 0.1 and 0.2 percentage points more than in the October forecast, respectively. As noted, this forecast is particularly uncertain in light of potential changes in the policy stance of the United States under the new administration. The projection for the United States is the one with the highest likelihood among a wide range of possible scenarios. It assumes a fiscal stimulus that leads growth to rise to 2.3 percent in 2017 and 2.5 percent in 2018, a cumulative increase in GDP of 1/2 percentage point relative to the October forecast. Growth projections for 2017 have also been revised upward for Germany, Japan, Spain, and the United Kingdom, mostly on account of a stronger-than-expected performance during the latter part of 2016. These upward revisions more than offset the downward revisions to the outlook for Italy and Korea.

### Equity and Debt Market:

Nifty 50 has shown upward movement and registered a growth of 18.55 % during current financial Year. FII's were Net buyer to the extent of Rs. 53696.00 crore.

Market has ended at close to 52-week high at 9173.75 on 31.03.2017. The equity Market has absorbed demonetization shock and US election results and took positive cues from the Union Budget and Assembly elections in the states and rallied further. Though Profit Booking is expected at very higher level, as liquidity continues to remain in surplus in Indian banking system and excellent policy engineering undertaken by the Central Bank in the current economic scenario, it is expected that the Equity Market may touch new high in next financial year on account of following reasons:



As regard to debt market, in an unexpected move the MPC, in its credit policy review on 6<sup>th</sup> December 2016, voted unanimously to keep the policy rate unchanged at 6.25% and more importantly, shifted its stance to neutral from accommodative.

As per RBI, the recent decline in headline CPI inflation is primarily due to lower food prices (vegetables and pulses) while core inflation (excluding food and fuel) has remained sticky. Thus RBI projects headline inflation in the range of 4.0% to 4.5% in the first half of FY 2018 and 4.5% to 5.0% in the second half of FY 2018 with balanced risk. The RBI is now focused on bringing headline inflation closer to its medium term target of 4.0% on a durable basis and calibrated manner. Thus RBI decided to change the policy stance from accommodative to neutral while keeping policy rate on hold so that the impact of demonetization on inflation and growth can be assessed. The change in policy stance to neutral suggests approaching an end to rate cutting cycle. Thus on February 8, 2017 there was a sharp reversal in bond yields of more than 30 bps with 10 year benchmark Government Security closing at yield of 6.75%.

Given the uncertainty due to global policy environment and global financial market development, RBI is likely to remain in a prolonged pause mode. In such a scenario, shorter or medium duration bonds may be preferred.



Chief Executive Officer  
*(Signature)*

- Healthy pace of reforms continues
- Economy should grow at higher rate.
- Interest rates are likely to still come down.
- Any volatility induced by global events should provide good entry points.

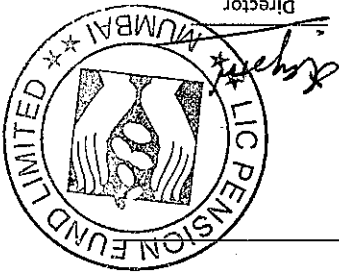
LIC PENSION FUND LIMITED  
NATIONAL PENSION SYSTEM TRUST

COMBINED BALANCE SHEET OF ALL PENSION SCHEMES AS AT MARCH 31, 2017

Particulars	Schedule	March 31, 2017	March 31, 2016
Liabilities			
Unit Capital	1	242,188,191,229	182,296,938,135
Reserves and Surplus	2	284,904,300,873	173,080,750,938
Current Liabilities and Provisions	3	474,068,655	58,997,457
<b>Total</b>		<b>527,566,560,757</b>	<b>355,436,686,530</b>
Assets			
Investments	4	510,825,990,057	342,371,705,672
Deposits	5	3,190,960,685	3,194,460,685
Other Current Assets	6	13,549,610,015	9,870,520,173
<b>Total</b>		<b>527,566,560,757</b>	<b>355,436,686,530</b>
(a) Net assets as per Balance Sheets		527,092,492,102	355,377,689,073
(b) Number of units outstanding		24,218,819,123	18,229,693,814

For LIC Pension Fund Ltd

MD & CEO  
*[Signature]*



Director  
*[Signature]*

For PKF SRIDHAR & SANTHANAM LLP  
Chartered Accountants  
Firm Regn No.- 003990S/S200018SANTHANAM LLP  
Partner  
N. Suryanarayana  
Membership No.- 201402  
Date: 13 July 2017  
Place: Mumbai

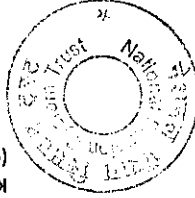


For and on Behalf of NPS Trust

Shalish V. Haribhakti  
(Chairman, NPS Trust Board)

*[Signature]*

Date: 13 JUL 2017  
Place: Mumbai



Kamal Chaudhry  
(Chief Executive Officer)

*[Signature]*

Date:  
Place: Mumbai

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

NATIONAL PENSION SYSTEM TRUST  
LIC PENSION FUND LIMITED

COMBINED REVENUE ACCOUNT OF ALL PENSION SCHEMES FOR THE YEAR ENDED MARCH 31, 2017

(In ₹) Particulars Income March 31, 2017 March 31, 2016

Dividend	599,596,456	516,938,217
Interest	30,906,881,874	21,925,825,341
Profit on sale/redemption of investments	2,754,356,517	1,129,449,751
Profit on inter-scheme transfer/sale of investments	-	6,663,036
Unrealised gain on appreciation in investments	19,396,350,997	16,759,685
Other Income	34	4
<b>Total Income (A)</b>	<b>53,657,185,878</b>	<b>23,595,636,034</b>

Expenses and losses	13,723,821	4,633,783,859
Unrealised losses in value of investments	433,963,055	743,628,193
Loss on sale/redemption of investments	-	4,265,755
Loss on inter-scheme transfer/sale of investments	52,403,286	34,345,713
Management fees (including service tax)	44,735,491	13,568,603
NPS Trust Fees	17,161,500	23,359,859
Custodian fees	4,873,421	746,284
Depository and settlement charges	114,633,502	62,088,510
CRA fees	(114,633,502)	(62,088,510)
Less: Amount recoverable by sale of units on account of CRA Charges	313,306,180	60,981,500
Provision for Non Performing Assets	6	2
Other Expenses	880,166,760	5,514,679,768
Total Expenditure (B)	52,777,019,118	18,080,956,266

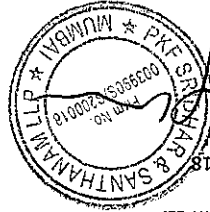
Less: Amount transferred to Unrealised appreciation account  
Less: Amount transferred to General Reserve

Surplus/(Deficit) for the year (A-B)  
Amount carried forward to Balance Sheet

18,080,956,266	33,380,668,121
16,759,685	19,396,350,997
18,064,196,581	33,380,668,121

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

For PKF SRIDHAR & SANTHANAM LLP

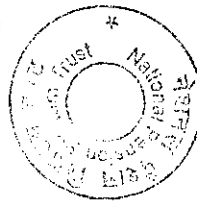


R. Suriyanarayanan  
Partner  
Date: 13 July 2017  
Place: Mumbai

For and on behalf of NPS Trust

Shailesh V. Haribhakti  
(Chairman, NPS Trust Board)

Date: 13 JUL 2017  
Place: Mumbai



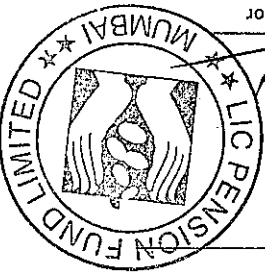
Kamal Chaudhary  
(Chief Executive Officer)

Date:  
Place: Mumbai

MD & CEO  
Date:  
Place: Mumbai

For LIC Pension Fund Ltd

Director



NATIONAL PENSION SYSTEM TRUST  
 NOTES ANNEXED TO AND FORMING PART OF THE COMBINED BALANCE SHEET OF ALL PENSION SCHEMES  
 AS AT MARCH 31, 2017

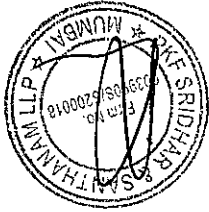
Schedule 1 - Unit Capital	
March 31, 2017	March 31, 2016
Outstanding at the beginning of the year	182,296,938,135
Add: Units issued during the year	61,211,175,519
Less: Units redeemed during the year	1,319,922,425
Outstanding at the end of the year (₹)	242,188,191,229
Outstanding at the beginning of the year	12,908,565,534
Add: Units issued during the year	6,121,117,552
Less: Units redeemed during the year	131,992,243
Outstanding Units at the end of the year	24,218,819,123
Schedule 2 - Reserves and Surplus	
Reserves and Surplus	
Unit Premium Reserve	
Opening Balance	105,555,697,474
Add: Premium on Units issued	60,326,448,908
Less: Premium on Units redeemed	1,279,918,091
Add: Transfer from General Reserve	-
Closing Balance	164,602,228,291
General Reserve	
Opening Balance	33,330,843,445
Add: Transfer from Revenue Account	33,380,668,121
Less: Transfer to Unit Premium Reserve	-
Closing Balance	84,775,708,147
Unrealised Appreciation Account	
Opening Balance	16,130,013,438
Add/(Less): Transfer from/(to) Revenue Account	19,396,350,997
Closing Balance	35,526,364,435
Total	284,904,300,873
	173,080,750,938

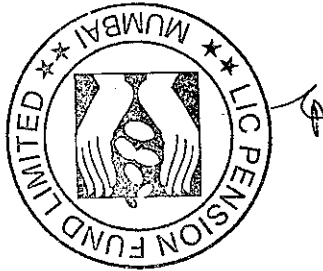
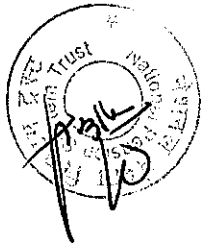




Schedule 3 - Current Liabilities and Provisions

Current Liabilities		
Sundry Creditors for expenses	47,794,854	35,778,933
Book Overdraft	-	-
Redemption Payable	144,545,764	17,726,614
TDS Payable	888,649	-
Contract for Purchase of Investments	43,875,338	-
Amount Payable to Other Schemes	-	-
Provision for Interest overdue	-	5,491,910
Provision on upgraded assets	111,787,680	-
Interest received in Advance	125,176,370	-
<b>Total</b>	<b>474,068,655</b>	<b>58,997,457</b>





Schedule 4 - Investments		
Investments (Long Term and Short Term)	69,995,837,058	33,852,893,265
Equity Shares		
Debtures and Bonds Listed/Awaiting Listing	180,837,871,702	122,778,573,414
Central and State Government Securities (including treasury bills)	254,277,241,606	182,416,208,804
Commercial Paper	-	-
Others - Mutual Fund Units	5,715,039,691	3,324,030,189
Total	510,825,990,057	342,371,705,672
Schedule 5 - Deposits		
Deposits with Scheduled Banks	3,190,960,685	3,194,460,685
Total	3,190,960,685	3,194,460,685
Schedule 6 - Other Current Assets		
Balances with bank in current account	729,934,010	342,541,642
Contracts for sale of investments	-	166,625,846
Outstanding and accrued income	12,734,332,629	9,330,314,417
Brokerage receivable from FPM	101,366	46,258
Application money pending allotment	1,500,000	-
Sundry Debtors	83,742,010	30,992,010
Total	13,549,610,015	9,870,520,173

**NATIONAL PENSION SYSTEM TRUST**

**NPS Trust A/c – LIC Pension Fund Limited -Scheme: All Schemes**

**SCHEDULE 7: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED MARCH 31, 2017**

**A. Background**

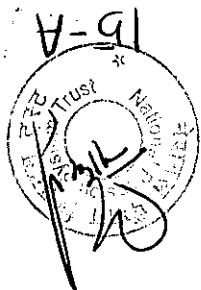
1. LIC Pension Fund Limited is appointed as a Pension Fund Manager (PFM) by the National Pension System Trust (NPS Trust) for the management of Pension Fund and for this purpose it has entered into an Investment Management Agreement (IMA) with the NPS Trust. As per unbundled architecture of the NPS Trust, the main responsibility of the PFM is to manage funds in accordance with the laid down guidelines and declare the Net Asset Value (NAV). As per the architecture, the NSDL e-Governance Infrastructure Ltd. and Karvy Computershare Private Limited, being the Central Recordkeeping Agencies (CRA) provides consolidated data to PFM for allotment/redemption of units and Axis Bank Ltd., being the Trustee Bank, provides / receives funds on consolidated basis in respect of such allotment / redemption. Unit capital is accounted for on the basis of data received from CRA and transfer of funds through Trustee Bank.

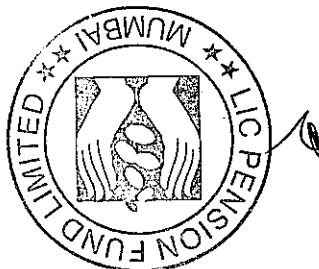
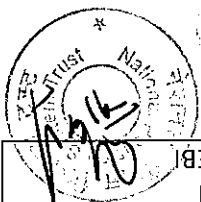
2. CRA's responsibilities includes:

- a. Recordkeeping, Administration and Customer service functions for NPS subscribers,
- b. Providing Unique Permanent Retirement Account Number (PRAN) to each subscriber,
- c. Maintaining database of all PRANs issued and recording transactions relating to each subscriber's PRAN,
- d. PRAN Transaction Statement,
- e. An operational interface between PFDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trustee Bank etc.
- f. CRA is responsible to resolve all queries pertaining to investors. CRA informs about the subscription and redemption to Pension Fund Managers (PFM) and also instructs Trustee Bank to credit PFM's pool account maintained with them.

3. NPS Trust has designated Stock Holding Corporation of India Ltd. (SHCIL) as the custodian, who is responsible for safe custody of securities and settlement of trades. Further, SHCIL has also been designated as valuation service provider, which is responsible for providing rates for valuation, which is used by PFM for valuation of investments. SHCIL also updates the ratings of Bonds and G – Sec as well as Corporate Action.

4. The Trustee bank provides subscription funds on a consolidated basis for all the schemes managed by PFM and credits the same to a control account, wherefrom the funds are transferred by the PFM to the respective schemes. The PFM records receipt of funds in the respective schemes only.





Sr. No.	Name of Scheme	Investment Objective
1.	Scheme E – Tier I	To optimize returns through investments in :- a. Shares of companies which are listed in BSE or NSE which have market capitalization of not less than Rs. 5000 crore as on the date of investment and on which derivatives are available; b. Units of Mutual funds regulated by the SEBI, which have minimum 65% of their investment in shares of body corporates listed on BSE or NSE; c. ETFs / Index Funds regulated by the SEBI that replicate the portfolio of either BSE Index of NSE Nifty 50 Index; d. ETFs issued by SEBI regulated Mutual Funds constructed specifically for disinvestment of shareholding of the Government of India in body corporate; and e. Exchange traded derivatives regulated by SEBI
2.	Scheme E – Tier II	

3. Investment pattern to be followed as per FRDA Regulations:

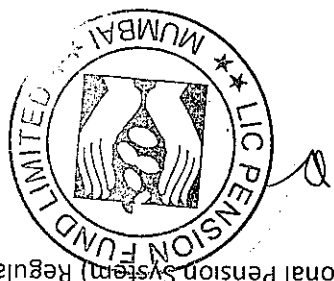
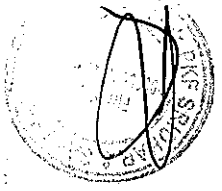
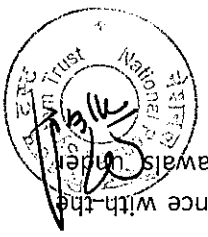
Sr. No.	Name of Scheme	Date of Inception
1.	Scheme E – Tier I	23 <sup>rd</sup> July 2013
2.	Scheme E – Tier II	23 <sup>rd</sup> July 2013
3.	Scheme C – Tier I	23 <sup>rd</sup> July 2013
4.	Scheme C – Tier II	12 <sup>th</sup> August 2013
5.	Scheme G – Tier I	12 <sup>th</sup> August 2013
6.	Scheme G – Tier II	12 <sup>th</sup> August 2013
7.	Scheme A – Tier I	10 <sup>th</sup> October 2016
8.	Scheme A – Tier II	10 <sup>th</sup> October 2016
9.	Scheme - Central Govt.	1 <sup>st</sup> April 2008
10.	Scheme - State Govt.	25 <sup>th</sup> June 2009
11.	NPS Lite Scheme – Govt. Pattern	4 <sup>th</sup> October 2010
12.	Scheme - Corporate CG	5 <sup>th</sup> November 2012
13.	Atal Pension Yojana	1 <sup>st</sup> June 2015

2. Commencement: The Scheme commenced its operations is given below :-

B. Scheme particulars

- Investment objective: The investment objective of the scheme is to optimize returns on investments.
- CRA fees, as per the unbundled architecture of the NPS Trust are charged to the scheme as claimed by CRA. PFM receives the scheme – wise subscription funds after deduction of CRA fees.

15-C



National Pension System (NPS) Regulations, 2015.

4. Contributions to the Scheme by the investors are withdrawable in accordance with the Pension Fund Regulatory and Development Authority Exit and Withdrawals Under the National Pension System (NPS) Regulations, 2015.

13.	Atal Pension Yojana	Miscellaneous Investments	Upto 5%
12.	Scheme - Corporate CG	Equity and related investments	Upto 15%
11.	NPS Lite Scheme - Govt. Pattern	Short Term Debt Instruments and related investments	Upto 5%
10.	Scheme - State Govt.	Debt Securities i.e. Corporate Bonds, Term Deposit Receipts etc.	Upto 45%
9.	Scheme - Central Govt.	Govt. Securities	Upto 50%
8.	Scheme A - Tier II	Limit	
7.	Scheme A - Tier I	Instrument	
6.	Scheme G - Tier II	To optimize returns through investments in: -	
5.	Scheme G - Tier I	To optimize returns through investments in: -	
4.	Scheme C - Tier II	To optimize returns through investments in: -	
3.	Scheme C - Tier I	To optimize returns through investments in: -	

a. Listed (or proposed to be listed) debt securities issued by bodies corporate, including banks and public financial institutions, which have a minimum residual maturity period of three years from the date of investment; b. Basel III Tier - 1 Bonds issued by scheduled commercial banks under RBI Guidelines; c. Rupee Bonds having an outstanding maturity of at least 3 years issued by institutions of the International Bank for Reconstruction and Development, International Finance Corporation and the Asian Development Bank; and d. Term deposit Receipts of not less than one year duration issued by scheduled commercial banks.

a. Government Securities; b. Other Securities the principal whereof and interest whereon is fully and unconditionally guaranteed by the Central Government or any State Government; and c. Units of mutual funds set up as dedicated funds for investment in Government securities and regulated by the SEBI.

To optimize returns through investments in: -

a. Commercial mortgage based securities or Residential mortgage based securities  
b. Units issued by Real Estate Investment Trusts regulated by the Securities and Exchange Board of India  
c. Asset backed securities regulated by the Securities and Exchange Board of India  
d. Units of Infrastructure Investment Trusts regulated by the Securities and Exchange Board of India  
e. Alternative Investment Funds (AIF Category I & II) registered with Securities and Exchange Board of India.

To optimize returns by investing in the instruments as per the following prescribed limits: -

Limit	Instrument
Upto 50%	Govt. Securities
Upto 45%	Debt Securities i.e. Corporate Bonds, Term Deposit Receipts etc.
Upto 5%	Short Term Debt Instruments and related investments
Upto 15%	Equity and related investments
Upto 5%	Asset Backed, Trust Structured and Miscellaneous Investments

**C. Significant Accounting Policies**

**A. Basis of accounting**

The financial statements have been prepared to comply with the PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012, Accounting Standards notified under Section 133 of the Companies Act, 2013 to the extent made applicable by PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012 and generally accepted accounting principles. These financial statements have been prepared on an accrual basis.

**B. Investments**

(i) Transactions for purchase or sale of Investments in Government securities, Non Convertible Bonds/Debentures, Equity shares, Fixed Deposits and Mutual Funds units are recognized as of the trade date except in case of subscriptions to Private/Public Offerings of debts which are recognized on allotment.

(ii) In determining the holding cost of investments and the gains or loss on sale of investments, the "weighted average cost" method is followed.

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

(iv) In respect of privately placed debt instruments, any front-end discounts offered are reduced from the cost of the investment.

(v) Investments are reconciled with the custodian records on daily basis.

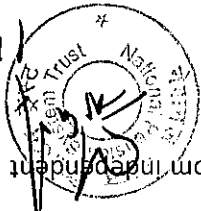
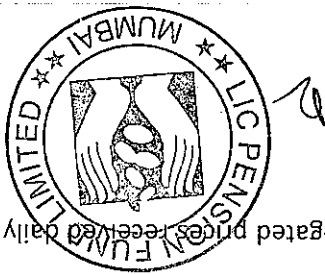
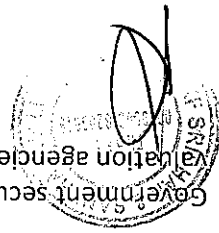
(vi) Rights / Bonus entitlements, if any, are accounted on ex-right/ ex-bonus date of the principal stock exchange

**C. Investment Valuation**

The below mentioned valuation of investment is carried out by Stock Holding Corporation of India as per the tripartite agreement among NPS Trust, LIC Pension Fund Limited and Stock Holding Corporation of India Ltd. Any deviations from the guidelines issued by PFRDA are mentioned in point 'D'.

**Securities traded at a stock exchange:**

- i. Equity securities are valued at the daily close price on the National Stock Exchange.
- ii. Debt securities (other than government securities) are valued at the NSE weighted average traded price on that day.
- iii. Money market instruments like commercial paper and certificate of deposit with residual maturity of up to 60 days, valued at the weighted average price at which they are traded on the particular valuation day. When such securities are not traded on a particular valuation day then they are valued at amortized cost.
- iv. Government securities are valued at aggregated prices received daily from independent valuation agencies i.e. CRISIL and ICRA.



v. Investments in mutual fund schemes are valued based on the latest available/previous day's net asset value from AMFI website.

**Securities not traded at a stock exchange:**

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

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

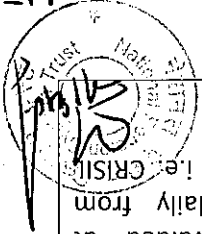
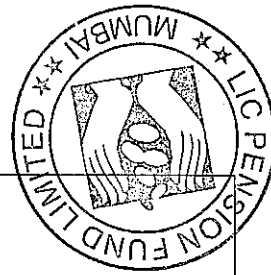
ii. Debt securities not traded on a valuation day :

a. With residual maturity over 60 days are valued on a yield to maturity basis, based on average of spreads provided by CRISIL and ICRA.  
 b. With residual maturity up to 60 days are valued at last traded price plus the difference between the redemption value and last traded price, spread uniformly over remaining maturity period of the instrument.

iii. Performing non government debt securities below Investment Grade of BBB- are valued at a discount of 25% to Face Value.

D. The valuation Policy of the Scheme, as advised by SHCL, is at variance with PFRDA guidelines. The details of the variation are as under:

PFRDA Guidelines :	Valuation Policy :
<p>1. Securities traded at a stock exchange: Debt securities (other than government securities) are valued at the last quoted closing price on the Principal exchange on which the security is traded.</p> <p>2. Securities not traded at a stock exchange : When a debt security (Other than government Security ) is not traded on any stock exchange on a particular valuation date, the value at which was traded on any other stock exchange on the earliest previous day is used, provided that such day is not more than 15 days.</p>	<p>a. With residual maturity over 60 days are valued on a yield to maturity basis, based on average of spreads provided by CRISIL and ICRA.                      b. With residual maturity up to 60 days are valued at last traded price plus the difference between the redemption value and last traded price, spread uniformly over remaining maturity period of the instrument.</p>
<p>3. Valuation of G-sec at YTM based on prevailing market prices.</p>	<p>Government securities are valued at aggregated prices received daily from independent valuation agencies i.e. CRISIL and ICRA.</p>



**E. Non Performing Investments:**

Investments are classified as non-performing based on PFRDA (Identification, Income Recognition and Provisioning of NPA) Guidance Note 2013. An investment is regarded as non-performing if interest / principal or both amounts have not been received or remained outstanding for one quarter from the day such income/instrument has fallen due.

Provisions are made for Non-performing investments as per the extant guidelines prescribed by PFRDA as shown below:

Period past due from the date of classification of assets as NPA	% Provision On Book Value
3 months	50%
6 months	75%
9 months	100%

On classification of the instrument as NPA no further interest is accrued on the investment and a provision for all interest accrued is made.

**Re-schedulement of NPA:**

In case any issuer of debt security defaults in the payment of interest and installment of principal, if any, and the pension fund has accepted re-schedulement of NPA, it may be reclassified as performing asset, if next two coupons/ installments of principal, if applicable, is regularly serviced as rescheduled.

Written – back of provisioning of interest: Upon reclassification of assets as performing assets

(i) In case an issuer has fully cleared all the arrears of interest, the interest provision can be written back in full.

Written – back of provisioning of principal: The provision made for the principal can be written back in the following manner:

- (i) 100 % of the assets provided for in the books will be written back at the end of second calendar quarter, where the provision of principal was made due to the interest defaults only.
- (ii) 50 % of the assets provided for in the books will be written back at the end of second calendar quarter and 25 % after every subsequent quarter, where both principal and interest were in default earlier.

**F. Income Recognition**

**(i) Interest Income**

In respect of all interest-bearing investments, income is accrued on a daily basis. Interest paid for the period from the last interest date up to the date of purchase is not treated as a cost of purchase but debited to Interest Recoverable Account. Similarly interest received at the time of sale for the period from the last interest date up to the date of sale is not treated as an addition to sale value but is credited to Interest Recoverable Account. Interest on Non-Performing Investments is not recognized in the Revenue Account till received.





(iii) Dividend Income:

Dividend income is recognized on "Ex-dividend" date.

G. Expenses

All allowable expenses and incomes accrued up to the valuation date are considered for computation of Net asset value. Major expenses like Investment Management Fees and NPS Trust Fees are accrued on a daily basis.

H. Taxes

All taxes which are leviable and actually paid are charged to the NAV of the Fund and are borne by the Subscriber. Any subsequent refund on this account, if any, is added to the scheme/fund as income.

I. Unit Capital and Unit Premium Reserve

Unit Capital is tallied with CRA records on daily basis. Difference between the issue/redemption price and face value of the units is credited / debited to unit premium reserve.

J. Computation of the Net Asset Value (NAV):

The NAV of the units is determined by dividing the net assets including investments recognized and valued as per the accounting policies by the number of outstanding units on the valuation date.

K. As per the unbundled architecture of National Pension Scheme, unit allocations and redemptions are accounted by PFM on the basis of consolidated data received from the Central Record Keeping Agency.

L. Investment Management Fees:

As per the terms of the Investment Management Agreement entered between National Pension System Trust and LIC Pension Fund Limited, management fees is calculated as a percentage of schemes daily closing net asset value.

Notes to Accounts

i. Non-Performing Assets: As per PFRDA (Identification, Income Recognition and Provisioning of NPA) Guidance Note 2013 a debt security ('asset') are classified as 'Non-Performing Asset' (NPA) if the interest and/or installment of principal have not been received or remained outstanding for one quarter, from the day such income and/or installment principal was due. The provision for NPA made upto 31.03.2017 is as below:

Particulars	31-Mar-17	31-Mar-16
Book Value (Rs.)	788,666,668	685,479,668
Provision for NPA (Rs.)	726,105,166	524,586,666
Carrying Cost (Rs.)	62,561,502	160,893,002
Market Value (Rs.)	75,000,000	191,813,000
% of NPA(Gross) to AUM	0.15	0.19

ii. Contingent Liability as on 31<sup>st</sup> March, 2017 is NIL. (Previous Year – NIL).

iii. Figures have been rounded off to the nearest rupee. Previous year figures have been regrouped and rearranged wherever necessary.

