

FY 2017-18

ALL THE SCHEMES

OF

AUDITED FINANCIAL  
STATEMENTS

COMPRISING

ANNUAL REPORT

LIC PENSION FUND LIMITED

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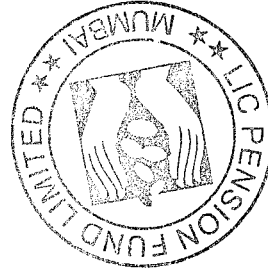
**LIC PENSION FUND LIMITED  
Annual Report (Schemes) 2017-18**

**Background**

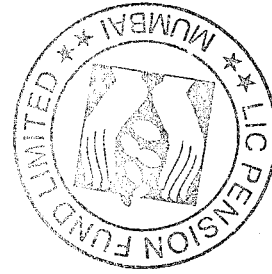
LIC Pension Fund Limited was incorporated in 2007 under the Companies Act 1956 by Life Insurance Corporation of India, the sponsor, with the main objective to act as a Fund Manager for managing the funds received from NPS Trust. The Company manages the investment portfolio as prescribed in the Investment 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 entrusted with managing the funds under this scheme as one of the fund manager. During FY 2016-17 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Ltd is one of the fund managers to receive NPS fund under these schemes and out of which one scheme (A-Tier II) was withdrawn during current financial year.

**Asset under Management**

| Name of the Scheme   | AUM as on 31.03.2018 (Rs. In Cr.) | NAV as on 31.03.2018 | Amount Received during 2017-18 from NPS Trust (Rs in Cr) | AUM as on 31.03.2017 (Rs. In Cr.) | NAV as on 31.03.2017 |
|----------------------|-----------------------------------|----------------------|--|-----------------------------------|----------------------|
| Central Govt. Scheme | 26379.37                          | 25.3839              | 4,370.51   | 20,721.72                         | 23,9808              |
| State Govt. Scheme   | 38095.12                          | 22.6816              | 8138.25  | 28188.31                          | 21,4375              |
| NPS Lite Scheme      | 859.27                            | 20.8934              | 53.30  | 759.66                            | 19,7232              |
| Corporate-CG-Scheme  | 2586.14                           | 16.6773              | 602.09   | 1872.99                           | 15,8133              |
| E Tier I             | 355.58                            | 17.5057              | 115.24   | 220.78                            | 16,0524              |
| C Tier I             | 231.72                            | 16.0308              | 84.16  | 137.83                            | 15,1425              |
| G Tier I             | 342.59                            | 16.3945              | 154.02   | 175.85                            | 15,5362              |
| E Tier II            | 8.98                              | 14.6202              | 4.96   | 3.69                              | 13,4738              |
| C Tier II            | 6.51                              | 15.0212              | 3.01   | 3.26                              | 14,2400              |
| G Tier II            | 8.77                              | 16.3477              | 4.18   | 4.30                              | 15,5779              |
| Atal Pension Yojana  | 1255.84                           | 12.8478              | 593.08   | 620.79                            | 12,1823              |
| A Tier I             | 0.39                              | 10.9393              | 0.31   | 0.07                              | 10,2511              |
| A Tier II            | 0.00                              | NA                   | -0.01  | 0.01                              | 10,1274              |
| <b>Total</b>         | <b>70130.26</b>                   |                      | <b>14123.10</b>  | <b>52,709.26</b>                  |                      |



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Allocation of Assets as on 31.03.2018

1) Central Govt. Scheme (Rs in crore)

| Name of the Scheme          | Govt. Security (including SDLs) | NCDs/NCBS | Equity   | Money Market Instruments | Others (cash & equivalents) | Total     |
|-----------------------------|---------------------------------|-----------|----------|--------------------------|-----------------------------|-----------|
| Allocation as on 31.03.2018 | 13,111.29                       | 8,888.71  | 3,685.59 | 67.29                    | 626.49                      | 26,379.37 |
| Allocation as on 31.03.2017 | 10,076.13                       | 7,243.02  | 2,769.95 | 138.70                   | 493.32                      | 20,721.72 |
|                             | 49.70%                          | 33.70%    | 13.97%   | 0.29%                    | 2.37%                       | 100.00%   |
|                             | 48.63%                          | 34.95%    | 13.37%   | 0.67%                    | 2.38%                       | 100.00%   |

2) State Govt. Scheme (Rs in crore)

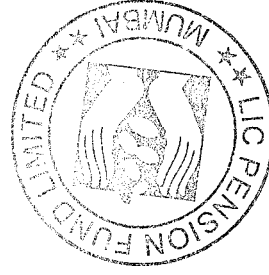
| Name of the Scheme          | Govt. Security (including SDL) | NCDs/NCBS | Equity   | Money Market Instruments | Others (cash & equivalents) | Total     |
|-----------------------------|--------------------------------|-----------|----------|--------------------------|-----------------------------|-----------|
| Allocation as on 31.03.2018 | 18,803.33                      | 12,518.68 | 5,271.00 | 610.19                   | 891.92                      | 38,095.12 |
| Allocation as on 31.03.2017 | 13606.28                       | 9888.45   | 3574.59  | 381.97                   | 737.02                      | 28188.31  |
|                             | 49.36%                         | 32.86%    | 13.84%   | 1.60%                    | 2.34%                       | 100.00%   |
|                             | 48.27%                         | 35.08%    | 12.68%   | 1.36%                    | 2.61%                       | 100.00%   |

3) NPS Lite Scheme (Rs in crore)

| Name of the Scheme          | G Security (including SDL) | NCDs/NCBS | Equity | Money Market Instruments | Others (cash & equivalents) | Total   |
|-----------------------------|----------------------------|-----------|--------|--------------------------|-----------------------------|---------|
| Allocation as on 31.03.2018 | 426.44                     | 283.80    | 120.48 | 4.34                     | 24.21                       | 859.27  |
| Allocation as on 31.03.2017 | 363.15                     | 273.58    | 101.63 | 12.90                    | 8.40                        | 759.66  |
|                             | 49.63%                     | 33.03%    | 14.02% | 0.51%                    | 2.82%                       | 100.00% |
|                             | 47.80%                     | 36.02%    | 13.38% | 1.69%                    | 1.11%                       | 100.00% |

4) Corporate CG Scheme (Rs in crore)

| Name of the Scheme          | G Security (including SDL) | NCDs/NCBS | Equity | Money Market Instruments | Others (cash & equivalents) | Total    |
|-----------------------------|----------------------------|-----------|--------|--------------------------|-----------------------------|----------|
| Allocation as on 31.03.2018 | 1,275.80                   | 868.92    | 362.21 | 20.89                    | 58.32                       | 2,586.14 |
| Allocation as on 31.03.2017 | 910.63                     | 662.74    | 249.98 | 8.80                     | 40.84                       | 1,872.99 |
|                             | 49.33%                     | 33.60%    | 14.01% | 0.81%                    | 2.26%                       | 100.00%  |
|                             | 48.62%                     | 35.38%    | 13.35  | 0.47%                    | 2.18%                       | 100.00%  |



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|                             |                  |                          |                                  |        |       |      |         |
|-----------------------------|------------------|--------------------------|----------------------------------|--------|-------|------|---------|
| Allocation as on 31.03.2017 | 94.04%           | 3.47                     | 0.10                             | 0.12   | 3.20% | 3.69 | 100.00% |
| Allocation as on 31.03.2018 | 97.90%           | 8.79                     | 0.31                             | -1.41% | -0.13 | 8.98 | 100.00% |
| Name of the Scheme          | Equity Portfolio | Money Market Instruments | Others (cash & cash equivalents) | Total  |       |      |         |

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

|                             |                               |                          |                                  |       |       |        |         |
|-----------------------------|-------------------------------|--------------------------|----------------------------------|-------|-------|--------|---------|
| Allocation as on 31.03.2017 | 92.69%                        | 162.99                   | 8.34                             | 4.52  | 2.57% | 175.85 | 100.00% |
| Allocation as on 31.03.2018 | 95.38%                        | 326.77                   | 0.00                             | 4.62% | 15.81 | 342.59 | 100.00% |
| Name of the Scheme          | Govt. Securities (incl. SDLS) | Money Market Instruments | Others (cash & cash equivalents) | Total |       |        |         |

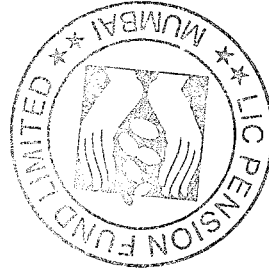
7) Scheme G, Tier I (Rs in crore)

|                             |                |                          |                                  |       |       |        |         |
|-----------------------------|----------------|--------------------------|----------------------------------|-------|-------|--------|---------|
| Allocation as on 31.03.2017 | 93.25%         | 128.53                   | 5.01                             | 4.29  | 3.12% | 137.83 | 100.00% |
| Allocation as on 31.03.2018 | 90.10%         | 208.77                   | 14.87                            | 3.48% | 8.07  | 231.72 | 100.00% |
| Name of the Scheme          | Debt Portfolio | Money Market Instruments | Others (cash & cash equivalents) | Total |       |        |         |

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

|                             |                  |                          |                                  |        |        |        |         |
|-----------------------------|------------------|--------------------------|----------------------------------|--------|--------|--------|---------|
| Allocation as on 31.03.2017 | 97.44%           | 215.12                   | 6.37                             | -0.71  | -0.32% | 220.78 | 100.00% |
| Allocation as on 31.03.2018 | 99.14%           | 352.53                   | 6.95                             | -1.09% | -3.89  | 355.58 | 100.00% |
| Name of the Scheme          | Equity Portfolio | Money Market Instruments | Others (cash & cash equivalents) | Total  |        |        |         |

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



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|                             |                         |                          |                                  |       |      |
|-----------------------------|-------------------------|--------------------------|----------------------------------|-------|------|
| Allocation as on 31.03.2017 | 0.00                    | 93.47%                   | 0.06                             | 6.57% | 0.07 |
| Allocation as on 31.03.2018 | 0.00                    | 97.82%                   | 0.38                             | 2.18% | 0.39 |
| Name of the Scheme          | Alternative Investments | Money Market Instruments | Others (cash & cash equivalents) | Total |      |

(Rs in crore)

12) Scheme A, Tier I

|                             |                            |           |        |                          |                                  |       |       |          |         |
|-----------------------------|----------------------------|-----------|--------|--------------------------|----------------------------------|-------|-------|----------|---------|
| Allocation as on 31.03.2017 | 304.41                     | 211.12    | 84.84  | 13.67%                   | 9.03                             | 11.39 | 1.83% | 620.79   | 100.00% |
| Allocation as on 31.03.2018 | 618.66                     | 403.23    | 180.08 | 14.34%                   | 28.87                            | 25.00 | 1.99% | 1,255.84 | 100.00% |
| Name of the Scheme          | G Security (including SDL) | NCDs/NCBS | Equity | Money Market Instruments | Others (cash & cash equivalents) | Total |       |          |         |

(Rs in crore)

11) Atal Pension Yojana (APY)

|                             |                                |                          |                                  |       |      |         |
|-----------------------------|--------------------------------|--------------------------|----------------------------------|-------|------|---------|
| Allocation as on 31.03.2017 | 4.13                           | 0.09                     | 2.13%                            | 1.68% | 4.30 | 100.00% |
| Allocation as on 31.03.2018 | 8.27                           | 0.00                     | 2.88%                            | 0.00% | 8.77 | 100.00% |
| Name of the Scheme          | Govt. Securities including SDL | Money Market Instruments | Others (cash & cash equivalents) | Total |      |         |

(Rs in crore)

10) Scheme G, Tier II

|                             |                |                          |                                  |        |      |         |
|-----------------------------|----------------|--------------------------|----------------------------------|--------|------|---------|
| Allocation as on 31.03.2017 | 2.90           | 0.13                     | 4.10%                            | 6.90%  | 3.26 | 100.00% |
| Allocation as on 31.03.2018 | 5.65           | 0.00                     | 0.00%                            | 13.25% | 6.51 | 100.00% |
| Name of the Scheme          | Debt Portfolio | Money Market Instruments | Others (cash & cash equivalents) | Total  |      |         |

(Rs in crore)

9) Scheme C, Tier II



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| Name of the Scheme             | 5 Year Rolling CAGR | 3 Year Rolling CAGR | Annualized Return for 1 Yr |
|--------------------------------|---------------------|---------------------|----------------------------|
| Central Govt Scheme            | 9.86%               | 8.30%               | 5.85%                      |
| State Govt Scheme              | 9.44%               | 8.30%               | 5.80%                      |
| NPS Lite Scheme (Govt pattern) | 10.00%              | 8.35%               | 5.93%                      |
| Corporate CG Scheme            | 9.90%               | 8.28%               | 5.46%                      |
| Atal Pension Yojana (APY)      | NA                  | NA                  | 5.46%                      |
| E Tier I                       | NA                  | 6.78%               | 9.05%                      |
| C Tier I                       | NA                  | 8.96%               | 5.87%                      |
| G Tier I                       | NA                  | 8.71%               | 5.52%                      |
| E Tier II                      | NA                  | 6.81%               | 8.51%                      |
| C Tier II                      | NA                  | 8.65%               | 5.49%                      |
| G Tier II                      | NA                  | 8.39%               | 4.94%                      |
| A Tier I                       | NA                  | NA                  | 6.71%                      |
| A Tier II                      | NA                  | NA                  | 2.71%                      |

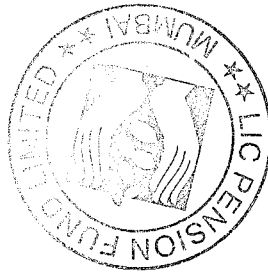
Performance at a glance as on 31.03.2018 \*

**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) and 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 31.03.2018 was Rs 70,130.26 crore (taking all the schemes together) as against Rs 52,709.26 crore as on 31.03.2017, with a growth of 33.05%. The growth in the AUM of Central Govt. Scheme was 27.30%, State Govt. scheme was 35.15%, NPS Lite Scheme was 13.11%, Corporate CG Scheme was 38.08% and for Atal Pension Yojana growth was 102.30% for the financial year 2017-18. For private sector, the growth was 74.89% for all the Private Schemes E, C, G and A (Tier I & II) as a whole for the financial year 2017-18. During the financial year 2016-17, two new schemes named A Tier and A Tier II were introduced by the NPS Trust/PFRDA from 1.10.2016 and out of that one scheme (A Tier II) was withdrawn in FY 2017-18.

| Name of the Scheme          | Alternative Investments | Money Market Instruments | Others (cash & cash equivalents) | Total |
|-----------------------------|-------------------------|--------------------------|----------------------------------|-------|
| Allocation as on 31.03.2018 | 0.00                    | -0.01                    | 0.00                             | -0.01 |
| Allocation as on 31.03.2017 | 0.00                    | 0.01                     | 21.27%                           | 0.01  |

13) Scheme A, Tier II (Discontinue w.e.f. 8<sup>th</sup> May 2017) (Rs. in crore)



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.

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.

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

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.

Funds received from NPS Trust through Axis Bank (the Trustee Bank) under twelve 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 generates 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.

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

The above table provides 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.

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



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The economy has started to recuperate from the cyclical and structural bottlenecks witnessed over the past two years as reflected in the activity indicators, high frequency data and the robust corporate earnings. It is expected the economy to recover gradually to 7.1% in FY2019 as GST-related disruptions smoothen and as consumption improves amid stable wages and expected payouts from states' implementation of 7CPC. Improving global growth prospects are further expected to remain supportive of growth. While the ongoing gradual improvement in

agricultural and service sectors also firmed up. Indian economy accelerated to 7.2% (Real GDP) in 3QFY18 compared to 6.3% in 2QFY18. Nominal GDP growth improved sharply to 11.9% from 10% in 2QFY18. The real GVA growth picked up to 6.7% from 6.2% in 2QFY18 largely led by pickup in industrial growth (6.8% compared to 5.9% in 2QFY18). Within industry, manufacturing (8.1% from 6.9% in 2QFY18) and construction (6.8% from 2.8% in 2QFY18) were the key contributors. Meanwhile,

### Indian Economy:

### Evaluation of Current Economic conditions:

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.

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

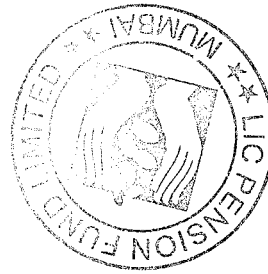
LICPFL is complying with all the provisions of the guidelines and all investments are made in the interest of the subscribers, prescribed by the PFDA/NPS Trust from time to time and deviations, if any, are regularly being reported to PFDA/NPS Trust. (CRA) and displaying the same in the Company's website regularly.

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

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 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 distribution 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 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 distribution 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 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 PFDA and not charged any fees on investment of its own assets to the schemes.

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



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Balance of Payments - CAD widens on higher imports: The upsurge in imports, mainly oil, offset the positive impact of exports during Q3FY18. Consequently, a significantly higher trade deficit deteriorated the CAD (Current Account Deficit) to USD 13bn; translating into 2.0% of GDP. A higher merchandise deficit in fact negated the increased earnings on the invisibles account. Furthermore, a surplus on the capital account comfortably financed the CAD; keeping the BOP

However, the government has done its balancing act between (1) fiscal consolidation with a central GFD/GDP target of 3.3% for FY2019, (2) largely stable taxation regime and (3) higher spending on infrastructure and rural economy.

In Union Budget for FY 2019, due to structural changes such as the implementation of GST (lower revenue mop-up & compensation to States), demonetization (lower seigniorage income), revision in wage hikes (higher RevEX), the magnitude of fiscal slippage was 0.3% over the budgeted level of 3.2% in FY18. Also, the govt. aims to crawl on its projected fiscal glide path without sacrificing on growth. As a result, the Union Budget focuses on spending on rural development, farm sector, infrastructure, healthcare, etc.

**Fiscal prudence:**

As regard to IIP, the January IIP growth at 7.5% (December: 7.1%) was a combination of favorable base (post demonetization) and a nascent economic recovery (sequential growth in segments such as capital goods, consumer durables, cement, etc.). Manufacturing sector growth was at 8.7%, owing to continued strength in capital goods (14.6%) and consumer non-durables (10.5%). Electricity production growth was at 7.6% while mining sector growth was at 0.1%.

It is expected that headline inflation to trend towards 5.6% by June 2018 (in line with RBI's estimate), partly led by unfavorable base effect, before moderating towards 4.7% by end-FY2019. The level of the trajectory would neither provide comfort to the RBI (above 4%) nor convincingly warrant a rate-hike cycle (not significantly higher than 4%). We expect headline and core inflation to average 4.6% and 4.9% in FY2019 (3.6% and 4.5% in FY2018). We acknowledge likely upside risks to inflation in case of (1) implementation of states' HRA, (2) uncertainty on commodity prices, (3) fiscal slippages at a consolidated level and adverse expenditure quality, (4) pass-through of custom duty hikes, and (5) higher MSP for *khanff* crops.

CPI inflation eased to 4.44% in February after 5.07% in January. Most of the fall was on the back of sharp sequential contraction in the food segment. Food inflation eased to 3.3% from 4.7% in January, with 1.5% sequential contraction across almost all food items such as vegetables, pulses, protein items, etc. The Core inflation was unchanged at 5%, with miscellaneous inflation stable at 3.8%.

February CPI inflation print is a reflection of sharp seasonal decline in food prices. Beyond the seasonal decline, adverse base effect will catch up over the next few months. The RBI may look through the peak of 5.6% in June but will remain cautious as upside risks remain to the baseline inflation trajectory, which is hovering around 4.5% for most part of FY2019. IIP print in January continued to indicate some nascent recovery in the industrial sector.

**CPI and IIP spring positive surprises:**

private investment continues to provide hope of a revival in the capex cycle, the spare capacity in the economy are expected to continue to constrain growth in FY2019.



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Broadly in line with market expectation, the RBI outlined a few factors that keep the inflationary pressures on the upside: (1) staggered impact of HRA increases by states and its second round impact, (2) a global growth-led pressure on crude oil and other commodity prices, (3) possible increase in MSPs for *kharif* crops as suggested in the budget, (4) increase in customs duty on a number of items, (5) fiscal slippage and increased cost of borrowing, and (7) tightness in financial conditions due to domestic fiscal developments and normalization of DM monetary policy. However, the MPC noted some offsetting factors like subdued capacity utilization, possibility of softer oil prices, and moderate real rural wage growth.

On Monetary policy front, The RBI MPC at its meeting held on 7<sup>th</sup> February 2018, expectedly kept repo rate unchanged at 6%. Importantly, the MPC maintained its neutral stance factoring in an inflation trajectory in FY2019 above its stated 4% (glide back to 4.5-4.6% in 2HFY19). It also highlighted that inflation outlook is clouded by risks, mostly on the upside, but at the same time acknowledged the nascent economic recovery and need to support it.

Higher CAD shaves-off a portion of BOP surplus: As elucidated above, the overall BOP surplus in Q3FY18 shrunk to 1.4% of GDP (vs 1.5% in Q2FY18) even as capital account surplus improved to 3.3% of GDP (vs 2.6% in Q2FY18). The surplus on capital account was mainly due to an increase in FPI inflows (of USD 5.3bn vs USD 2.1bn in Q2FY18) & increase in loans (of USD 6.1bn vs USD 2.8bn in Q2FY18). The capital account was in a deficit of USD 1.2bn in Q3FY17 due to a huge outflow in portfolio investments & NRI deposits. For 9MFY18, BOP surplus and FX accretion (on BOP basis) stood at USD 30bn. The most recent data on FX Reserves shows that reserves have increased to USD 421bn and that India now has a slightly lower import cover ratio of 10.9M, down by ~1M since that seen at the start of FY18.

The windfall gains that arose from benign international commodity prices is continuing to dry up, as is evident in the rising import bill. Although exports too have been in the positive territory, imports relative to exports have risen at a much faster pace in 9MFY18. In the backdrop of these developments, we expect the CAD to average out to ~1.7-2.0% in FY18 vs 0.7% in FY17. On a cumulative basis, CAD widened to 1.9% of GDP vs 0.7% in 9MFY17.

Going forward, as the positive terms of trade dissipate further, India's trade balance could deteriorate, straining the CAD. Notwithstanding a huge build-up in FX Reserves, the import cover has dropped to 10.9 months now. Although this is a fairly comfortable cover ratio & it provides the much needed buffer, the risks to external sector would increase if CAD widens & capital account surplus shrinks simultaneously.

The robust build-up in FX Reserves as well as a steady currency during Q3FY18 is reminiscent of the same. However, the relentless rise in crude oil prices during Q4FY18 has further widened the trade gap and remains one of the key overhangs on CAD, given that oil imports, historically, have made-up for roughly about a third of India's import bill. On a sequential basis, the deterioration in the CAD was entirely on account of a higher merchandise deficit because invisible earnings picked-up, QoQ. A surplus on the capital account fully funded the CAD and even added to the FX Reserves kitty during Q3FY18. However, the finer details show that FDI flows moderated substantially and that a major chunk of the CAD was funded via volatile flows.

## Global Economy:

As per World Bank report, the global economy is experiencing a cyclical recovery, reflecting a rebound in investment, manufacturing activity, and trade. This improvement comes against the backdrop of benign global financing conditions, generally accommodative policies, rising confidence, and firming commodity prices. Global GDP growth is estimated to have picked up from 2.4 percent in 2016 to 3 percent in 2017, above the June forecast of 2.7 percent. The upturn is broadbased, with growth increasing in more than half of the world's economies. In particular, the rebound in global investment growth—which accounted for three quarters of the acceleration in global GDP growth from 2016 to 2017—was supported by favorable financing costs, rising profits, and improved business sentiment across both advanced economies and emerging market and developing economies (EMDEs). This synchronous, investment-led recovery is providing a substantial boost to global exports and imports in the near term

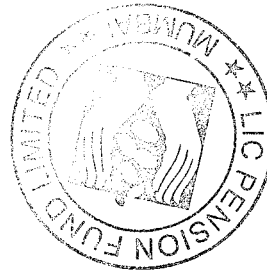
In advanced economies, growth in 2017 is estimated to have rebounded to 2.3 percent, driven by a pickup in capital spending, a turnaround in inventories, and strengthening external demand. While growth accelerated in all major economies, the improvement was markedly stronger than expected in the Euro Area. Growth among EMDEs is estimated to have accelerated to 4.3 percent in 2017, reflecting firming activity in commodity exporters and continued solid growth in commodity importers. Most EMDE regions benefited from a recovery in exports. The improvement in economic activity among commodity exporters took place as key economies—such as Brazil and the Russian Federation—emerged from recession, prices of most commodities rose, confidence improved, the drag from earlier policy tightening diminished, and investment growth bottomed out after a prolonged period of weakness. Nonetheless, the estimated pace of growth in commodity exporters in 2017, at 1.8 percent, was still subdued and not enough to improve average per capita incomes, which continued to stagnate after two consecutive years of contraction. Global growth is projected to edge up to 3.1 percent in 2018, as the cyclical momentum continues, and then slightly moderate to an average of 3 percent in 2019-20.

## Equity and Debt Market:

The financial year 2017-18 has been very positive for Indian equity markets largely led by midcap and small cap stocks. While it was smooth sailing for the first ten months, we have witnessed a correction in the last two months of the financial year. The markets in the past 12 months have seen a significant change in purchasing power as the markets have been driven largely by domestic mutual funds which have suggested a paradigm shift as in the past. The main drivers of Indian equity markets have been the Foreign Institutional Investors. The new financial year brings with itself fresh challenges. The PSU banks frauds and increasing NPAs will continue to be a hindrance for the stock markets. In addition, the state elections in the near future and the run up to next year's general election will also keep investors cautious as these events do come about with a hint of uncertainty.

As regard to Debt Market, the RBI, in line with consensus expectations, the Monetary Policy Committee (MPC) voted 5-1 in favor of leaving the policy repo rate unchanged at 6%. Thus reverse repo rate stays at 5.75%, while the Cash Reserve Ratio (CRR) also remains unchanged at 4.0%.

As against RBI's Feb'18 projection of CPI inflation at 5.1% for Q4 FY18, it now expects inflation at 4.5% in Q4 FY18 largely due to sharp decline in vegetable prices and significant moderation



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Chief Executive Officer

The downward revision in inflation forecasts led to a positive reaction from the bond market with 10 year G-Sec yield declining by over 15 bps to 7.13%. However, we prefer to maintain a cautious stance due to the likely impact of upward revision in MSFs on inflation, improving economic activity, credit growth outpacing deposit growth, fiscal pressures, and rising US bond yields. Thus, we continue to recommend investment in short to medium duration debt funds.

RBI maintaining status quo on rates and its neutral policy stance was on expected lines. On the positive note, RBI expects CPI inflation to be lower by 40 bps in H1 FY19 at 4.7% - 5.1% and by 15 bps lower in H2 FY 19 at 4.4%. Thus, we expect RBI to remain data dependent and to stay on hold for now.

Conclusion and Outlook

Going forward, the MPC cited several uncertainties surrounding its inflation outlook. These mainly relate to revised mechanism for setting of MSFs (Minimum Support Price) for kharif crops as proposed in budget FY19, fiscal slippages both at the centre and at the state levels, the outcome of monsoon and recent volatility in crude oil prices. Given the above backdrop, the MPC decided to keep the policy rate unchanged and continue with neutral stance.

On growth, RBI expects the pace of economic activity to pick up in FY19 on clearer signs of revival in investment activity and improving global demand. Overall, RBI expects GDP (Gross Domestic Product) growth to strengthen from 6.6% in FY18 to 7.4% in FY19 with risks evenly balanced.

In fuel group inflation, CPI inflation for H1FY 19 has also been revised lower by 40 bps to 4.7%-5.1% from 5.1%-5.6% and for H2 FY19 by 15 bps to 4.4% from 4.5%-4.6% including the HRA (House Rent Allowance) impact for central government employees with risks tilted to the upside. CPI inflation excluding the impact of HRA revisions is projected at 4.4%-4.7% for H1 FY19 and 4.4% in H2 FY19.



LIC PENSION FUND LIMITED  
NATIONAL PENSION SYSTEM TRUST

COMBINED REVENUE ACCOUNT OF ALL PENSION SCHEMES FOR THE YEAR ENDED MARCH 31, 2018

| Particulars   | 31-Mar-18        | 31-Mar-17      |
|---|------------------|----------------|
|   | (in ₹)           |                |
| Income  |                  |                |
| Dividend  | 939,357,887      | 599,596,456    |
| Interest  | 40,747,470,408   | 30,906,881,874 |
| Profit on sale/redemption of investments                            | 3,383,310,280    | 2,754,356,517  |
| Profit on inter-scheme transfer/sale of investments                 | 18,244           | -              |
| Unrealised gain on appreciation in investments                      | 102,325,426      | 19,396,350,997 |
| Other Income  | 190,923          | 34             |
| Total Income (A)  | 45,172,673,168   | 53,657,185,878 |
| Expenses and losses   |                  |                |
| Unrealised losses in value of investments                           | 11,754,349,998   | 13,723,821     |
| Loss on sale/redemption of investments                              | 157,085,333      | 433,963,055    |
| Loss on inter-scheme transfer/sale of investments                   | -                | -              |
| Management fees (including service tax)                             | 73,958,312       | 52,403,286     |
| NPS Trust Fees  | 61,855,872       | 44,735,491     |
| Custodian fees  | 20,657,909       | 17,161,500     |
| Depository and settlement charges                                   | 4,760,516        | 4,873,421      |
| CRA fees  | 130,445,628      | 114,633,502    |
| Less: Amount recoverable by sale of units on account of CRA Charges | (130,445,628)    | (114,633,502)  |
| Provision for Non-Performing Assets                                 | 120,970,700      | 313,306,180    |
| Other Expenses  | 5                | 6              |
| Total Expenditure (B)   | 12,193,638,645   | 880,166,760    |
| Surplus/(Deficit) for the year (A-B)                                | 32,979,034,523   | 52,777,019,118 |
| Less: Amount transferred to Unrealised appreciation account         | (11,652,024,572) | 19,382,627,176 |
| Less: Amount transferred to General Reserve                         | 44,631,059,095   | 33,394,391,942 |
| Amount carried forward to Balance Sheet                             | -                | -              |

Significant Accounting Policies and Notes to Accounts

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

For PFC SRIDHAR & SANTHANAM LLP  
Chartered Accountants  
Firm No. 003990S/S200018  
Firm Regn No. 003990S/S200018  
SANTHANAM SRIDHAR & SANTHANAM LLP  
Membership No. - 201402

Date: 28 JUN 2018

Place: Mumbai

For and on Behalf of NPS Trust

Ashvin Parekh  
(Chairman, NPS Trust Board)

Date: 28 JUN 2018  
Place: Mumbai



Munish Malik  
(Chief Executive Officer)  
NPS Trust



Date: 28 JUN 2018  
Place: Mumbai

MD & CEO

Director

For LIC Pension Fund Ltd

*[Signature]*

*[Signature]*

LIC PENSION FUND LIMITED

NATIONAL PENSION SYSTEM TRUST

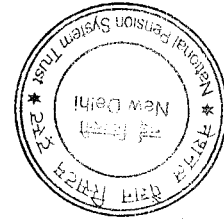
NOTES ANNEXED TO AND FORMING PART OF THE COMBINED BALANCE SHEET OF ALL PENSION SCHEMES AS AT MARCH 31, 2018

| Schedule 1 - Unit Capital                        |                 |
|--|-----------------|
| 31-Mar-18  | 31-Mar-17       |
| Outstanding at the beginning of the year         | 242,188,191,229 |
| Add: Units issued during the year                | 66,950,387,542  |
| Less: Units redeemed during the year             | 2,138,725,317   |
| Outstanding at the end of the year (₹)           | 1,319,922,425   |
| Outstanding at the end of the year (₹)           | 242,188,191,229 |
| (Face Value of Rs.10/- each unit, fully paid up) |                 |
| Outstanding units at the beginning of the year   | 18,229,693,814  |
| Add: Units issued during the year                | 6,695,038,754   |
| 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                                  |                  |
|--|------------------|
| 31-Mar-18  | 31-Mar-17        |
| Reserves and Surplus   |                  |
| Unit Premium Reserve   |                  |
| Opening Balance  | 105,555,697,474  |
| Add: Premium on Units issued                                       | 78,754,073,399   |
| Less: Premium on Units redeemed                                    | 2,334,620,072    |
| Add: Transfer from General Reserve                                 | 1,279,918,091    |
| Closing Balance  | 164,602,228,291  |
| General Reserve  |                  |
| Opening Balance  | 56,028,823,884   |
| Add: Transfer from Revenue Account                                 | 44,631,059,095   |
| Less: Transfer to Unit Premium Reserve                             | 33,394,391,942   |
| Closing Balance  | 89,423,215,826   |
| Unrealised Appreciation Account                                    |                  |
| Opening Balance  | 30,878,856,756   |
| Add: Adjustment for Previous years unrealised appreciation reserve | -                |
| Add/(Less): Transfer from/(to) Revenue Account                     | (11,652,024,572) |
| Closing Balance  | 19,226,832,184   |
| Total  | 394,302,788,723  |

|  |                 |
|--|-----------------|
| Opening Balance  | 16,130,013,438  |
| Add: Adjustment for Previous years unrealised appreciation reserve | -               |
| Add/(Less): Transfer from/(to) Revenue Account                     | (4,633,783,858) |
| Closing Balance  | 30,878,856,756  |
| Unrealised Appreciation Account                                    |                 |
| Opening Balance  | 134,054,274,921 |
| Add: Transfer from Revenue Account                                 | 89,423,215,826  |
| Less: Transfer to Unit Premium Reserve                             | 89,423,215,826  |
| Closing Balance  | 134,054,274,921 |
| Unrealised Appreciation Account                                    |                 |
| Opening Balance  | 16,130,013,438  |
| Add: Adjustment for Previous years unrealised appreciation reserve | -               |
| Add/(Less): Transfer from/(to) Revenue Account                     | (4,633,783,858) |
| Closing Balance  | 30,878,856,756  |
| Total  | 284,904,300,873 |





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| Schedule 3 - Current Liabilities and Provisions   |  | 31-Mar-18              | 31-Mar-17              |
|---|--|------------------------|------------------------|
| <b>Current Liabilities</b>  |  |                        |                        |
| Sundry Creditors for expenses   |  | 60,262,537             | 47,794,854             |
| Book Overdraft  |  | -                      | -                      |
| Redemption Payable  |  | 87,148,180             | 144,545,764            |
| TDS Payable   |  | -                      | 888,649                |
| Contract for Purchase of Investments  |  | 2,022,790,334          | 43,875,338             |
| Amount Payable to Other Schemes   |  | -                      | -                      |
| Provision for Interest overdue  |  | -                      | -                      |
| Provision on upgraded assets  |  | -                      | 111,787,680            |
| Interest received in Advance  |  | -                      | 125,176,370            |
| <b>Total</b>  |  | <b>2,170,201,051</b>   | <b>474,068,655</b>     |
| <b>Schedule 4 - Investments</b>   |  |                        |                        |
|   |  | 31-Mar-18              | 31-Mar-17              |
| Investments (Long Term and Short Term)  |  | 99,806,766,321         | 69,995,837,058         |
| Equity Shares   |  | 229,802,335,778        | 180,837,871,702        |
| Debentures and Bonds Listed/Awaiting Listing  |  | 345,705,605,506        | 254,277,241,606        |
| Central and State Government Securities (including treasury bills)  |  | -                      | -                      |
| Commercial Paper  |  | -                      | -                      |
| AI's (Category I and Category II Only)/REITs/INVITs/Asset Backed Securities/Commercial mortgage based Securities or Residential mortgage based securities |  | -                      | -                      |
| Basel III Tier I bonds  |  | -                      | -                      |
| Others - Mutual Fund Units  |  | 7,540,926,505          | 5,715,039,691          |
| Non Convertible Debentures classified as NPA  |  | 145,289,280            | 75,000,000             |
| Less: Provision on Non performing Investment  |  | (145,289,280)          | (75,000,000)           |
| <b>Total</b>  |  | <b>682,855,634,110</b> | <b>510,825,990,057</b> |
| <b>Schedule 5 - Deposits</b>  |  |                        |                        |
|   |  | 31-Mar-18              | 31-Mar-17              |
| Deposits with Scheduled Banks   |  | 1,830,000,000          | 3,190,960,685          |
| <b>Total</b>  |  | <b>1,830,000,000</b>   | <b>3,190,960,685</b>   |



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| Schedule 6 - Other Current Assets                          |  | 31-Mar-18             | 31-Mar-17             |
|--|--|-----------------------|-----------------------|
| Balances with bank in current account                      |  | 2,319,723,826         | 729,934,010           |
| Contracts for sale of investments                          |  | 368,084,631           | -                     |
| Interest Receivable on Non-Performing Investments          |  | 46,260,060            | 46,260,060            |
| Less: Provision for Interest on Non-Performing Investments |  | (46,260,060)          | (46,260,060)          |
| Outstanding and accrued income                             |  | 16,070,832,027        | 12,714,908,282        |
| Dividend Receivable  |  | 27,934,077            | 19,424,347            |
| Brokerage receivable from FPM                              |  | 465,322               | 112,611               |
| Application money pending allotment                        |  | -                     | 1,500,000             |
| Sundry Debtors   |  | 169,235               | 21,169,263            |
| Redemption receivable on Non performing Investment         |  | 813,574,268           | 713,666,668           |
| Less: Provision for Non Performing Investment              |  | (813,574,268)         | (651,105,166)         |
| <b>Total</b>   |  | <b>18,787,209,118</b> | <b>13,549,610,015</b> |

## NATIONAL PENSION SYSTEM TRUST

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

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED MARCH 31, 2018

#### Note 7: Significant Accounting Policies and Notes to Accounts

##### 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:

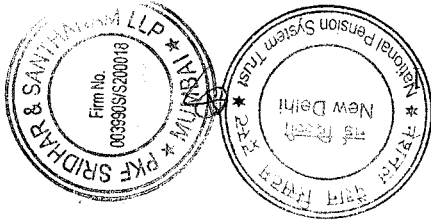
- a. Recordkeeping, Administration and Customer service functions for NPS subscribers,
- b. Providing Unique Permanent Retirement Account Number (PRAN) to each subscriber,
- c. Maintaining database of all PRANs issued and recording transactions relating to each subscriber's PRAN,
- d. PRAN Transaction 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.



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5. 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.

**B. Scheme particulars**

1. **Investment objective:** The investment objective of the scheme is to optimise returns on investments.

2. **Commencement:** The date of commencement of operations for all the schemes is given below :-

| 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     |

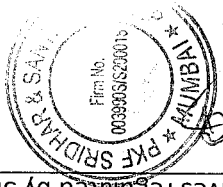
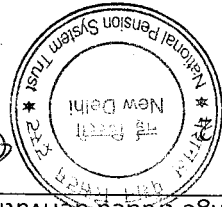
(\*) Discontinued with effect from 8<sup>th</sup> May, 2017.

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

| Sr. No. | Name of Scheme     | Investment Objective   |
|---------|--------------------|--|
| 1.      | Scheme E – Tier I  | To optimize returns through investments in :-<br>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;<br>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;<br>c. ETFs / Index Funds regulated by the SEBI that replicate the portfolio of either BSE Index of NSE Nifty 50 Index;<br>d. ETFs issued by SEBI regulated Mutual Funds constructed specifically for disinvestment of shareholding of the Government of India in body corporate; and<br>e. Exchange traded derivatives regulated by SEBI |
| 2.      | Scheme E – Tier II |  |



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### C. Significant Accounting Policies

#### A. Basis of accounting

The financial statements are 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 are 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 closing price on the National Stock Exchange (NSE) and where not traded in NSE at the daily closing price on Bombay Stock Exchange(BSE).

ii. Debt securities (other than government securities) are valued at the weighted average traded price on that day on NSE or BSE, if it is not traded on the NSE.

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.



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|                                  |   |
|----------------------------------|---|
| <p><b>FRDA Guidelines :</b></p>  | <p><b>1. Securities traded at a stock exchange:</b> 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><b>Valuation Policy :</b></p> | <p>Debt securities (other than government securities) are valued at the NSE weighted average traded price on that day.</p>  |

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

- iii. Performing non government debt securities below Investment Grade of BBB- are valued at a discount of 25% to Face Value.
- iiii. Debt securities not traded on a valuation day :
  - a. When a debt security (other than Government Securities) is purchased by way of private placement, it is valued at purchase cost for the period of 15 days from the date of purchase.
  - b. With residual maturity over 60 days are valued on a yield to maturity basis, based on benchmark rate and average of spreads provided by CRISIL and ICRA.
  - c. 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.
- v. 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.
- vi. Debt securities not traded on a valuation day :
  - a. When a debt security (other than Government Securities) is purchased by way of private placement, it is valued at purchase cost for the period of 15 days from the date of purchase.
  - b. With residual maturity over 60 days are valued on a yield to maturity basis, based on benchmark rate and average of spreads provided by CRISIL and ICRA.
  - c. 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.
- vii. Performing non government debt securities below Investment Grade of BBB- are valued at a discount of 25% to Face Value.

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

- 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.



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back in the following manner:

Write- back of provisioning of principal: The provision made for the principal can be written

can be written back in full.

!)In case an issuer has fully cleared all the arrears of interest , the interest provision

Write- back of provisioning of interest: Upon reclassification of assets as performing assets

is regularly serviced as rescheduled.

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-scheduling of NPA, it may be reclassified as performing asset , if next two coupons/ installments of principal , if applicable,

**Re-scheduling of NPA:**

and a provision for all interest accrued is made.

On classification of the instrument as NPA no further interest is accrued on the investment

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

by FRDA as shown below:

Provisions are made for Non-performing investments as per the extant guidelines prescribed

Investments are classified as non-performing based on FRDA (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.

**E. Non Performing Investments:**

|   |  |
|---|--|
| <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>  |
| <p>2. Securities not traded at a stock exchange :<br/>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 bench mark rate and average of spreads provided by CRISIL and ICRA.<br/>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> |

(i) 100% of the assets provided for in the books shall 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 shall 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.

**(ii) 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 and custodian 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.**

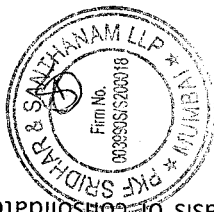
The net unrealized gain or loss in the value of investments is determined separately for each category of investment. The aggregate net change in unrealized gain or loss between two balance sheet dates is recognized in the revenue account. Later, the change in unrealized gain (net) in the value of investment is transferred from/to unrealized appreciation reserve through appropriation account.

**L.**

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.



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**M. 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.

**N. Other Notes**

- i. Rs. 225,92,77,749/- is lying with the trustee bank as on 31st March 2018, (Previous Year Rs.81,30,24,041/-) the units in respect of which have been allotted in the next financial year on the receipt of the funds by the PFM. Accordingly the said amount is not included in the subscription received pending allotment as well as the balance with bank, on account of the manner in which the PFM operates as stated in above Note "Background".

**ii. Unit Capital :**

Units are created and redeemed based on the intimation provided by Central Record Keeping Agency(CRA) and the same are reflected as Unit Capital and the net premium or discount to the face value is transferred to Unit Premium reserve.

27,86,599.3040 units valued at Rs. 7,07,34,758/- as on 31st March, 2018, (Previous Year 28,98,028.4682 units valued at Rs. 6,94,97,041/-) is lying in the name of "unitization Pool Account" maintained by Central Record Keeping Agency(CRA). As explained by CRA, the subscribers for the same have not been identified. The possible impact, if any, shall be known after completion of identification/ reconciliation process.

Based on the confirmation from CRA, the number of units as at the year end are 3069,80,02,104.7039 (Previous Year 2421,68,15,638.6567) and the balance 26,042.9031 (Previous Year 19,256.3516) have been identified as residual units with CRA. Units pending for distribution as at year end are 19,57,197.8821 (Previous Year 20,14,499.2618). Withdrawal units accounted in CRA in current Year –NIL (Previous Year 30,271.6608)

**!!!.**

**Non-Performing Assets:** As per PFDA (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 31.03.2018 is as below:

| Particulars             | 31-Mar-18   | 31-Mar-17   |
|-------------------------|-------------|-------------|
| Book Value (Rs.)        | 9588,63,548 | 788,666,668 |
| Provision for NPA (Rs.) | 9588,63,548 | 726,105,166 |
| Carrying Cost (Rs.)     | 0           | 62,561,502  |
| Market Value (Rs.) **   | -           | -           |
| % of NPA(Gross) to AUM  | 0.14 %      | 0.15 %      |

\*\* Investment is not traded, hence Market Value is not ascertainable.

**iv. Investment in Group Company and Associates:**

| Particulars                          | March 31, 2018           | March 31, 2017           |
|--------------------------------------|--------------------------|--------------------------|
| Name of the Group Company/Associate  | LIC Housing Finance Ltd. | LIC Housing Finance Ltd. |
| Amount Invested by all schemes (Rs.) | 98380,51,842             | 6,239,246,100            |
| Market Value (Rs.)                   | 99301,65,426             | 66470,15,671             |



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v. Details of Custodian Fees paid or payable to Stock Holding Corporation of India Limited (A Company in which sponsor of LIC Pension Fund Limited has substantial interest)

| Particulars   | March 31, 2018                          | March 31, 2017                          |
|---|---|---|
| Name of Sponsor of LIC PFL                                    | LIC of India                            | LIC of India                            |
| Name of the company in which sponsor has substantial interest | Stock Holding Corporation of India Ltd. | Stock Holding Corporation of India Ltd. |
| No of shares held   | 3,150,000                               | 3,150,000                               |
| % of Share Holding  | 14.97 %                                 | 14.97 %                                 |
| Amount Paid/ Payable (Rs.)                                    | 206,57,909                              | 171,61,500                              |

vi. Purchase/Sale of Investments: The aggregate value of purchase and sales of investments during the year expressed as a percentage of average daily net assets are as under:

| Particulars   | March 31, 2018 | March 31, 2017 |
|---|----------------|----------------|
| Aggregate Value of purchase (except liquid funds) (Rs.) | 2277019,44,219 | 1871812,35,264 |
| %   | 36.81 %        | 41.84 %        |

| Particulars  | March 31, 2018 | March 31, 2017 |
|--|----------------|----------------|
| Aggregate Value of sales (except liquid funds) (Rs.) | 465312,88,205  | 421589,77,493  |
| %  | 7.52 %         | 9.42 %         |

vii. Aggregate value of Non Traded investment valued in good faith at the end of the year:

**Non Convertible Bond & Debentures:**

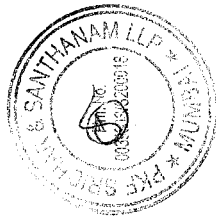
| Particulars                                    | March 31, 2018 | March 31, 2017 |
|--|----------------|----------------|
| Aggregate value of Non traded Investment (Rs.) | 1320389,39,463 | 1016163,73,301 |
| % to Net Assets Value                          | 18.83 %        | 19.43 %        |

viii. Contingent Liability as on 31<sup>st</sup> March, 2018 is Rs. 780,01,200.00/- towards uncalled amount of Rs. 461/- per shares on 1,69,200 Partly Paid up shares of Tata Steel Ltd. (Previous Year – NIL).

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



*(Signature)*



INDEPENDENT AUDITOR'S REPORT

TO

THE TRUSTEES,

NATIONAL PENSION SYSTEM TRUST (NPS Trust)

Report on Financial Statements

1. We have audited the accompanying financial statements of Scheme 05: NPS Trust A/c - LIC Pension Fund Scheme E-Tier I under the National Pension System Trust (NPS Trust) managed by LIC Pension Fund Ltd. (PFM) [in terms of clause 3 of PFRDA (preparation of Financial Statements) Guidelines 2012] which comprises of the Balance sheet as at March 31, 2018 and the Revenue account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Board of Directors of the PFM, in accordance with the applicable Pension Fund Regulatory and Development Authority (PFDA) Guidelines and the Investment Management Agreement (IMA) with the National Pension System Trust (NPS Trust) is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Companies Act, 2013 read with the Rule 7 of the Companies (Accounts) Rule 2014, to the extent made applicable by PFDA to Scheme. This responsibility also includes maintenance of records in accordance with PFDA guidelines for safeguarding of the assets of the Company and preventing frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial



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b) 2,160,1377 units valued at Rs. 37,815/- as on 31<sup>st</sup> March 2018 (Previous Year: Nil units, valued at Rs. Nil) is lying in the name of Suspense PRAN Accounts maintained by Central Record Keeping Agency(CRA). As explained by CRA, these are parking accounts for error rectification not fully completed.

a) Rs. 6,59,16,433/- is lying with Trustee Bank as on 31<sup>st</sup> March, 2018 (Previous Year Rs. 3,35,83,305/-the units in respect of which have been allotted in the next financial year on receipt of funds by the PFM. This does not have any impact on the surplus for the period; though the subscription received pending allotments as well as balances with bank are understated by the said amount.

7. As explained in Note No. 71 giving background of the Scheme regarding unbundled architecture, the PFM receives consolidated funds and does not have access to the individual subscribers' data. However, based on the individual subscribers' data and break-up of balance in bank accounts provided to us by the CRA, without modifying our opinion, we invite attention to the following:

*Emphasis of Matter*

- i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2018;
- ii) in the case of the Revenue Account, of the surplus of the Scheme for the period ended on that date; and

*Opinion*

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.  
6. In our opinion and to the best of our information and according to the explanations given to us the financial statements give the information required by the PFRDA (Preparation of Financial Statements and Auditor's Report of schemes under National Pension System) Guidelines 2012, and give a true and fair view in conformity with the accounting principles generally accepted in India:

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, 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 PFM, as well as evaluating the overall presentation of the financial statements.

**Report on Other Legal and Regulatory Requirements**

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

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

9. We further certify that

- a) Investments has been valued in accordance with the guidelines issued by the Authority;
- b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fees

**For PKF SRIDHAR & SANTHANAM LLP**

Chartered Accountants

Firm Registration No: 003990S/S200018

Firm No: 003990S/S200018

Partner

R. Suryanarayanan

M. No: 201402

Mumbai:

28 JUN 2018

NATIONAL PENSION SYSTEM TRUST  
 NPS TRUST - A/C LIC PENSION FUND LIMITED'S PENSION FUND SCHEME - E TIER I

BALANCE SHEET AS AT MARCH 31, 2018

| Schedules                           |   | As at March 31, 2018 |               | As at March 31, 2017 |  |
|-------------------------------------|---|----------------------|---------------|----------------------|--|
|                                     |   | ₹                    |               | ₹                    |  |
| Liabilities                         | Unit Capital  | 1                    | 2,031,242,588 | 1,375,392,878        |  |
|                                     | Reserves and Surplus                                  | 2                    | 1,524,581,928 | 832,447,650          |  |
|                                     | Current Liabilities and Provisions                    | 3                    | 41,656,486    | 8,543,335            |  |
|                                     | Total   |                      | 3,597,481,002 | 2,216,383,863        |  |
|                                     | Assets  |                      |               |                      |  |
|                                     | Investments   | 4                    | 3,594,756,734 | 2,214,895,515        |  |
|                                     | Deposits  | 5                    | 0             | 0                    |  |
| Other Current Assets                | 6   | 2,724,268            | 1,488,348     |                      |  |
| Total                               |   | 3,597,481,002        | 2,216,383,863 |                      |  |
| (a) Net assets as per Balance Sheet |   | 3,555,824,516        | 2,207,840,528 |                      |  |
| (b) Number of Units outstanding     |   | 203,124,259          | 137,539,288   |                      |  |
| 7                                   | Significant Accounting Policies and Notes to Accounts |                      |               |                      |  |



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

For PKR SINGHAR & SANTHANAM LLP  
 Chartered Accountants  
 Firm No. 003905/S/200018  
 F. S. V. Anarayan  
 Partner  
 Member (M) No. 201402  
 Date: 28 JUN 2018  
 Place: Mumbai

For LIC Pension Fund Ltd  
 MD & CEO  
 Director  
 Date: Mumbai

For and on Behalf of NPS Trust  
 Ashvin Parekh  
 (Chairman, NPS Trust Board)  
 Date: Mumbai

Munish Malik  
 Chief Executive Officer  
 NPS Trust Board  
 Date: Mumbai

28 JUN 2018

NATIONAL PENSION SYSTEM TRUST  
 NPS TRUST - A/C LIC PENSION FUND LIMITED'S PENSION FUND SCHEME - E TIER I

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2018

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|-------------|---------------------------|---------------------------|
|-------------|---------------------------|---------------------------|

|   |             |             |
|---|-------------|-------------|
| Income  |             |             |
| Dividend  | 32,475,516  | 18,395,378  |
| Interest  | 0           | 0           |
| Profit on sale/redemption of investments            | 100,098,912 | 26,313,137  |
| Profit on inter-scheme transfer/sale of investments | 0           | 0           |
| Unrealized gain on appreciation in investments      | 100,647,131 | 250,540,235 |
| Other income  | 190,897     | 2           |

|   |                   |                  |
|---|-------------------|------------------|
| Expenses and Losses   |                   |                  |
| Unrealized losses in value of investments                           | 0                 | 0                |
| Loss on sale/redemption of investments                              | 37,130,522        | 2,374,234        |
| Loss on inter-scheme transfer/sale of investments                   | 0                 | 0                |
| Management fees (including service Tax)                             | 336,258           | 176,148          |
| NPS Trust fees  | 286,463           | 153,254          |
| Custodian fees  | 81,293            | 47,448           |
| CRA Fees  | 3,246,390         | 2,492,905        |
| Less: Amount recoverable on sale of units on account of CRA Charges | (3,246,390)       | (2,492,905)      |
| Trustee Bank's fees   | 0                 | 0                |
| Depository and settlement charges                                   | 13,436            | 6,501            |
| Other Expenses, if any  | 0                 | 0                |
| <b>Total</b>  | <b>37,847,972</b> | <b>2,757,585</b> |

|   |             |             |
|---|-------------|-------------|
| Surplus/(Deficit) for the year                              | 195,564,484 | 292,491,167 |
| Less: Amount transferred to Unrealised appreciation account | 100,647,131 | 250,540,235 |
| Less: Amount transferred to General Reserve                 | 94,917,353  | 41,950,932  |
| Amount carried forward to Balance Sheet                     | 0           | 0           |
| Significant Accounting Policies and Notes to Accounts       |             | 7           |

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

For LIC Pension Fund Ltd

MD & CEO *[Signature]*  
 Director *[Signature]*

Date: \_\_\_\_\_ Place: Mumbai

For BKT SIDDHAR & SANTHANAM LLP  
 Chartered Accountants  
 Firm No. 10005000000  
 Partner *[Signature]*  
 R. Sathyanarayanan

Date: 28 JUN 2018  
 Membership No.: 201402

Place: Mumbai

For and on Behalf of NPS Trust

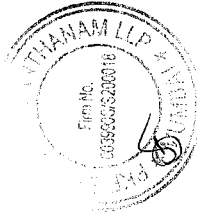
Ashvin Parekh  
 (Chairman, NPS Trust Board)

Date: \_\_\_\_\_ Place: Mumbai

Munish Malik  
 Chief Executive Officer  
 NPS Trust Board

Date: 28 JUN 2018





*[Handwritten mark]*

2,724,268 1,488,348

| Other Current Assets                                 | As at March 31, 2018 | As at March 31, 2017 |
|--|----------------------|----------------------|
| Outstanding and accrued income                       | 0                    | 0                    |
| Interest receivable on deposits with scheduled banks | 0                    | 0                    |
| Balance with Trustee Bank                            | 1,272,078            | 191,604              |
| Dividend Receivable                                  | 1,436,674            | 1,289,700            |
| Application Pending Allotment (Equity)               | 0                    | 0                    |
| Contract for sale of investments                     | 0                    | 0                    |
| Tax Receivable                                       | 0                    | 0                    |
| Brokerage receivable from LIC Pension Fund Ltd.      | 15,516               | 7,044                |

Schedule 6 As at March 31, 2018 As at March 31, 2017

| Deposits                      | As at March 31, 2018 | As at March 31, 2017 |
|-------------------------------|----------------------|----------------------|
| Deposits with Scheduled Banks | 0                    | 0                    |

Schedule 5 As at March 31, 2018 As at March 31, 2017

Total 3,594,756,734 2,214,895,515

| Investments (Long Term and Short Term)                             | As at March 31, 2018 | As at March 31, 2017 |
|--|----------------------|----------------------|
| Equity Shares  | 3,525,263,846        | 2,151,225,648        |
| Debentures and Bonds Listed/Awaiting Listing                       | 0                    | 0                    |
| Central and State Government Securities (including treasury bills) | 0                    | 0                    |
| Commercial Paper   | 0                    | 0                    |
| ALF's/REITs/INVTs/ABS etc  | 0                    | 0                    |
| Basel III Tier I bonds   | 0                    | 0                    |
| Others - Mutual Fund Units   | 69,492,888           | 63,669,867           |
| - Certificates of Deposit  | 0                    | 0                    |

Schedule 4 As at March 31, 2018 As at March 31, 2017

# National Pension System Trust

## SCHEME 05 : NPS TRUST A/C LIC PENSION FUND LIMITED'S PENSION FUND SCHEME

### E TIER I

#### Note 7: Significant Accounting Policies and Notes to Accounts

#### Background

The Central Government had introduced the National Pension System (NPS) with effect from January 1, 2004 (except for armed forces). Pension Fund Regulatory and Development Authority (PFRDA), the regulatory body for NPS, finalized the architecture and appointed e-Governance Infrastructure Limited (NSDL) and Kary Computershare Private Limited as Central Recordkeeping Agencies (CRAs), Axis Bank as Trustee Bank and Stock Holding Corporation Limited as a Custodian, other entities for National Pension System and appointed LIC Pension Fund Ltd (LICPFL) as one of the Fund manager for the Scheme.

LICPFL has entered into an Investment Management Agreement ('IMA') with NPS. The Pension Fund Regulatory and Development Authority ('PFRDA') guidelines require each PFM to manage subscribers' funds made available to it by the Trustee bank. However, the responsibility of maintaining individual subscriber's records is not with PFM and is managed by the CRA. The CRAs do not furnish any subscribers level data to the PFM and provide only consolidated subscribers data of cash inflow for units to be allotted and number of units to be redeemed to PFM. The PFM makes investments as per the requirements of IMA and the scheme wise flow of funds from CRAs.

Under All Citizen Model of NPS, there are three assets classes viz Equity (E), Government Securities (G), and Corporate Debt (C). The funds are invested in Equity Class through Pension Fund Managers.

#### Significant Accounting Policies

##### A. Basis of accounting

The financial statements are 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 are 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.





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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.

**G. Unit Capital**

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.

**F. Taxes**

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 and custodian fees are accrued on a daily basis.

**E. Expenses**

Dividend income is recognized on Ex-dividend date.

**D. Income Recognition:**

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

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

- ii. Investments in mutual fund schemes are valued based on the latest available net asset value of the respective schemes.
- i. Equity securities are valued at the daily closing price on the National Stock Exchange (NSE) and where not traded in NSE at the daily closing price on Bombay Stock Exchange(BSE).

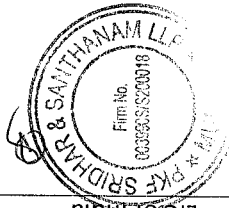
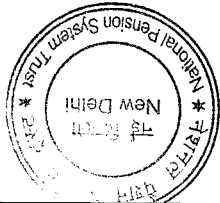
**Securities traded at a stock exchange:**

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.

**C. Investment Valuation**

- (v) Rights / Bonus entitlements, if any, are accounted on ex-right/ ex-bonus date of the principal stock exchange
- (iv) Investments are reconciled with the custodian records on daily basis.
- (iii) The cost of investments acquired or purchased includes applicable taxes and stamp charges but exclude brokerage and other transactional charges.

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|                            |                |                |
|----------------------------|----------------|----------------|
| Particulars                | March 31, 2018 | March 31, 2017 |
| Name of Sponsor of LIC PFL | LIC of India   | LIC of India   |

IV. Details of Custodian Fees paid or payable to Stock Holding Corporation of India Limited (A Company in which sponsor of LIC Pension Fund Limited has substantial interest)

|  |                          |                          |
|--|--------------------------|--------------------------|
| Particulars                              | March 31, 2018           | March 31, 2017           |
| Name of the Group Company/Associate      | LIC Housing Finance Ltd. | LIC Housing Finance Ltd. |
| Amount Invested by the scheme (Rs.)      | 521,34,792               | 218,08,001               |
| Market Value (Rs)                        | 486,30,400               | 253,56,450               |
| Aggregate Investment by all scheme (Rs.) | 98380,51,842             | 62392,46,100             |

### III. Investment in Group Company and Associates:

Based on the confirmation from CRA, the number of units as at the year end are 2031,24,216.2493 (Previous Year 1375,39,262.1426) and the balance 42,6192 (Previous Year 25,6279) have been identified as residual units with CRA.

Units are created and redeemed based on the intimation provided by Central Record Keeping Agency(CRA) and the same are reflected as Unit Capital and the net premium or discount to the face value is transferred to Unit Premium reserve.

### II. Unit Capital :

Rs. 659,16,433/- is lying with the trustee bank as on 31st March 2018, (Previous Year Rs. 335,83,305/-) the units in respect of which have been allotted in the next financial year on the receipt of the funds by the PFM. Accordingly the said amount is not included in the subscription received pending allotment as well as the balance with bank, on account of the manner in which the PFM operates as stated in above Note "Background".

### L. Other Notes

The net unrealized gain or loss in the value of investments is determined separately for each category of investment. The aggregate net change in unrealized gain or loss between two balance sheet dates is recognized in the revenue account. Later, the change in unrealized gain (net) in the value of investment is transferred from/to unrealized appreciation reserve through appropriation account.

### J. 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.

H. 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.

I. 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.



| Particulars                          | March 31, 2018                             | March 31, 2017                             |
|--------------------------------------|--|--|
| Industry Group                       | Amount of investment related to that (Rs.) | Amount of investment related to that (Rs.) |
| Monetary intermediation of banks     | 7155,97,931                                | 4249,95,744.25                             |
| Writing, modifying, test of computer | 2672,90,652                                | 1745,19,374.50                             |
| Manufacture of cigarettes            | 2153,89,822                                | 815,36,186.70                              |
|                                      | 6.11%                                      | 3.79%                                      |
|                                      | 7.58%                                      | 8.11%                                      |
|                                      | 20.30%                                     | 19.76%                                     |

### Equity Group:

VII. Total Value of investment falling under each major industry group (which constitute not less than 5% of total investment related to that classification).

Accordingly the scheme has been managed actively from September 2015 to comply with the above guidelines.

Superseding the aforesaid circular FRDA vide its circular Ref: FRDA/2015/21/PFM/08 dated 02.09.2015, investment in equity can be made in shares of company on which derivatives are available in Bombay Stock Exchange or National Stock Exchange or Equity Linked Schemes of Mutual Funds or Exchange Traded Funds regulated by the SEBI.

VI. As per the FRDA Investment Guidelines for Private Sector dated January 29, 2014, the Scheme was required to rebalance its holding in E Tier I and Tier II Schemes and invest in Index Funds / Exchange Traded Funds that replicate the portfolio of either BSE Sensex Index or NSE Nifty 50 index. Index Fund Schemes invest in securities in the same weightage comprising of an index. LIC Pension Fund Ltd has tracked/replicated/repliated NSE Sensex as the Index for the FY 2015-16

| Particulars  | March 31, 2018 | March 31, 2017 |
|--|----------------|----------------|
| Aggregate Value of sales (except liquid funds) (Rs.) | 6599,92,036    | 15,85,57,407   |
| %  | 23.04 %        | 10.35 %        |

| Particulars   | March 31, 2018 | March 31, 2017 |
|---|----------------|----------------|
| Aggregate Value of purchase (except liquid funds) (Rs.) | 18744,68,465   | 1,04,49,18,738 |
| %   | 8.34 %         | 68.18 %        |

V. Purchase/Sale of Investments: The aggregate value of purchase and sales of investments during the year expressed as a percentage of average daily net assets are as under:

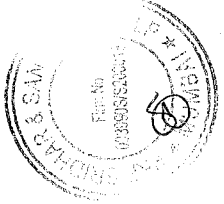
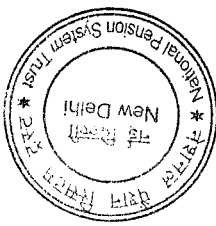
| Name of the company in which sponsor has substantial interest | No of shares held | % of Share Holding | Amount Paid/ Payable (Rs.) |
|---|-------------------|--------------------|----------------------------|
| Stock Holding Corporation of India Ltd.                       | 31,50,000         | 14.97 %            | 81,293                     |
| Stock Holding Corporation of India Ltd.                       | 31,50,000         | 14.97 %            | 47,448                     |

|                                    |              |       |                |       |
|------------------------------------|--------------|-------|----------------|-------|
| Manufacture of other petroleum     | 2040,80,240  | 5.79% | 854,62,230.00  | 3.97% |
| Activity granting credit for house | 1770,86,918  | 5.02% | 713,82,296.10  | 3.32% |
| Manufacture of alopatic pharmaceut | 686,69,927   | 1.95% | 2130,36,317.00 | 9.90% |
| Total amount invested in Equity    | 35252,63,847 |       | 2,15,12,25,648 |       |

VIII. Contingent liability as on 31<sup>st</sup> March, 2018 is Rs.41,49,000/- towards uncalled amount of Rs. 461/- per shares on 9,000 Partly Paid up shares of Tata Steel Ltd. (Previous Year – NIL).

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

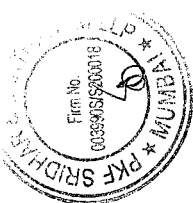
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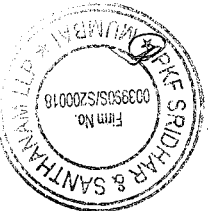
**Scheme 05 : NPS TRUST A/C LIC PENSION FUND  
SCHEME E Tier I**

**Schedule Annexed to and forming part of Financial Statements as on 31.03.2018**

| A :<br>Sr No. | Equity<br>Security Name                      | As at 31.03.2018 |                 |                    |         | As at 31.03.2017 |                    |  |  |
|---------------|--|------------------|-----------------|--------------------|---------|------------------|--------------------|--|--|
|               |  | Units            | Book Cost (Rs.) | Market Value (Rs.) | Units   | Book Cost (Rs.)  | Market Value (Rs.) |  |  |
| 1             | OIL AND NATURAL GAS CORPORATION LTD          | 432,921          | 79,571,873      | 76,973,354         | 215,421 | 38,151,165       | 39,852,885         |  |  |
| 2             | RELIANCE INDUSTRIES LTD.                     | 231,200          | 136,628,201     | 204,080,240        | 64,700  | 62,449,199       | 85,462,230         |  |  |
| 3             | BHARAT PETROLEUM CORPORATION LIMITED         | 15,860           | 6,453,565       | 6,779,357          | 29,690  | 17,318,769       | 19,294,047         |  |  |
| 4             | TATA STEEL LIMITED                           | 111,345          | 56,997,435      | 63,583,562         | 60,660  | 26,660,056       | 29,280,582         |  |  |
| 5             | INFOSYS TECHNOLOGIES LTD                     | 77,456           | 74,874,703      | 87,664,701         | 62,064  | 60,756,100       | 63,444,924         |  |  |
| 6             | LARSEN AND TOUBRO LTD                        | 107,599          | 112,350,017     | 141,051,529        | 40,133  | 56,082,840       | 63,205,462         |  |  |
| 7             | GAIL INDIA                                   | 89,794           | 23,243,114      | 29,501,819         | 39,846  | 12,670,288       | 15,019,950         |  |  |
| 8             | BHARATI AIRTEL                               | 56,212           | 24,568,117      | 22,411,724         | 47,212  | 16,998,244       | 16,526,561         |  |  |
| 9             | ITC LTD                                      | 843,013          | 218,274,609     | 215,389,822        | 290,889 | 66,025,951       | 81,536,187         |  |  |
| 10            | NTPC LTD                                     | 154,115          | 23,787,727      | 26,153,316         | 99,115  | 13,839,065       | 16,453,090         |  |  |
| 11            | STATE BANK OF INDIA                          | 376,850          | 96,000,177      | 94,174,815         | 210,500 | 47,979,951       | 61,760,700         |  |  |
| 12            | HINDUSTAN UNILEVER LTD.                      | 32,858           | 27,311,871      | 43,811,214         | 27,858  | 21,945,546       | 25,399,532         |  |  |
| 13            | SIEMENS LTD.                                 | 4,061            | 5,011,605       | 4,356,844          | -       | -                | -                  |  |  |
| 14            | TATA MOTORS LTD.                             | 272,000          | 116,427,517     | 88,903,200         | 88,500  | 37,119,789       | 41,227,725         |  |  |
| 15            | AMBULIA CEMENTS LTD.                         | 130,250          | 32,090,064      | 30,341,738         | 41,500  | 8,809,248        | 9,820,975          |  |  |
| 16            | POWER GRID CORPORATION OF INDIA LTD          | 251,879          | 45,453,529      | 48,675,617         | 132,696 | 20,772,895       | 26,180,921         |  |  |
| 17            | RURAL ELECTRIFICATION CORPORATION LTD.       | 175,000          | 28,003,630      | 21,822,500         | 13,200  | 1,612,526        | 2,389,200          |  |  |
| 18            | TATA CONSULTANCY SERVICES LTD.               | 35,372           | 91,570,088      | 100,780,134        | 18,032  | 42,376,074       | 43,850,218         |  |  |
| 19            | INDIAN OIL CORPORATION LTD                   | 295,000          | 57,245,299      | 52,097,000         | 14,000  | 4,321,991        | 5,418,700          |  |  |
| 20            | AXIS BANK LIMITED                            | 146,500          | 68,710,533      | 74,788,250         | 87,000  | 38,387,579       | 42,699,600         |  |  |
| 21            | GRASIM INDUSTRIES LTD.                       | 38,620           | 33,590,635      | 40,585,758         | 11,720  | 9,118,116        | 12,294,280         |  |  |
| 22            | HOUSING DEVELOPMENT FINANCE CORPORATION LTD. | 70,364           | 103,575,330     | 128,456,518        | 30,641  | 33,789,542       | 46,025,846         |  |  |
| 23            | ASIAN PAINTS LTD.                            | 29,710           | 29,290,582      | 33,287,084         | 16,710  | 14,357,261       | 17,938,185         |  |  |
| 24            | ASHOK LEYLAND LTD.                           | 238,500          | 20,924,292      | 34,689,825         | 188,500 | 16,826,817       | 15,937,675         |  |  |
| 25            | CIPLA LTD.                                   | 25,100           | 13,937,550      | 13,690,795         | 65,100  | 36,148,785       | 38,601,045         |  |  |
| 26            | MARUTI SUZUKI INDIA LTD.                     | 13,870           | 89,727,255      | 122,903,457        | 6,262   | 26,607,597       | 37,670,313         |  |  |
| 27            | COLGATE PALMOLIVE (INDIA) LTD.               | 18,500           | 16,137,800      | 19,552,650         | 18,500  | 16,137,800       | 18,416,750         |  |  |
| 28            | LIC HOUSING FINANCE LTD.                     | 91,000           | 52,134,792      | 48,630,400         | 41,000  | 21,808,001       | 25,356,450         |  |  |
| 29            | Tata Chemicals Limited                       | 53,000           | 33,750,681      | 35,888,950         | 23,000  | 12,368,454       | 13,771,250         |  |  |
| 30            | PETRONET LNG LTD.                            | 76,000           | 15,345,578      | 17,552,200         | 28,000  | 10,390,526       | 11,288,200         |  |  |



|    |  |         |             |             |         |             |             |
|----|--|---------|-------------|-------------|---------|-------------|-------------|
| 31 | HDFC BANK LIMITED                          | 107,088 | 146,666,099 | 201,978,677 | 55,000  | 52,574,905  | 79,340,250  |
| 32 | HINDALCO INDUSTRIES LIMITED.               | 131,753 | 27,711,007  | 28,267,606  | 103,253 | 17,101,126  | 20,139,498  |
| 33 | MAHINDRA & MAHINDRA LTD.                   | 99,424  | 65,678,969  | 73,464,394  | 20,712  | 25,753,786  | 26,654,273  |
| 34 | DR. REDDYSLABORATORIES LTD.                | 3,700   | 9,057,494   | 7,698,035   | 11,750  | 35,282,022  | 30,930,113  |
| 35 | COAL INDIA LIMITED                         | 227,053 | 66,906,600  | 64,324,115  | 147,123 | 46,512,778  | 43,055,546  |
| 36 | BAJAJ AUTO LTD.                            | 11,597  | 31,342,443  | 31,830,286  | 8,200   | 20,521,605  | 23,004,690  |
| 37 | BANK OF BARODA                             | 132,903 | 21,933,606  | 18,912,097  | 258,123 | 41,183,557  | 44,642,373  |
| 38 | SUN PHARMACEUTICALS INDUSTRIES LTD.        | 33,642  | 25,076,408  | 16,656,154  | 98,642  | 73,526,754  | 67,880,492  |
| 39 | ACC LTD.                                   | 1,417   | 2,012,104   | 2,136,128   | 6,900   | 9,606,352   | 9,977,745   |
| 40 | HERO MOTOCORP LTD.                         | 9,599   | 35,682,561  | 34,007,337  | -       | -           | -           |
| 41 | UltraTech Cement Limited                   | 10,021  | 39,377,132  | 39,582,950  | 4,850   | 14,295,447  | 19,326,038  |
| 42 | HCL TECHNOLOGIES LTD.                      | 31,985  | 26,531,481  | 30,980,671  | 39,130  | 32,458,242  | 34,228,968  |
| 43 | Apollo Tyres Limited                       | 52,363  | 11,738,446  | 14,507,169  | 14,000  | 2,469,700   | 2,921,800   |
| 44 | INDUSIND BANK LTD.                         | 54,497  | 75,228,101  | 97,917,485  | 20,250  | 18,992,768  | 28,859,288  |
| 45 | KOTAK MAHINDRA BANK LTD.                   | 68,490  | 59,351,704  | 71,763,822  | 58,591  | 41,689,924  | 51,103,070  |
| 46 | GLENMARK PHARMACEUTICALS LTD.              | 37,800  | 31,254,189  | 19,894,140  | 27,800  | 25,160,653  | 23,688,380  |
| 47 | WIPRO LIMITED                              | 64,271  | 17,743,227  | 18,069,792  | 22,447  | 11,892,483  | 11,575,918  |
| 48 | TECH MAHINDRA LIMITED                      | 46,650  | 23,874,650  | 29,795,355  | 46,650  | 23,874,650  | 21,419,348  |
| 49 | CANARA BANK                                | 19,100  | 6,374,921   | 5,040,490   | 32,600  | 9,124,247   | 9,869,650   |
| 50 | ICICI BANK LTD.                            | 507,312 | 127,796,810 | 141,210,295 | 377,102 | 101,602,508 | 104,400,689 |
| 51 | AUROBINDO PHARMA LIMITED                   | 19,236  | 13,530,248  | 10,730,803  | 19,236  | 13,530,248  | 12,988,147  |
| 52 | FEDERAL BANK LIMITED                       | 110,000 | 12,242,490  | 9,812,000   | -       | -           | -           |
| 53 | UPL LTD. (FORMERLY UNITED PHOSPHORUS LTD.) | 54,787  | 41,956,586  | 40,008,207  | -       | -           | -           |
| 54 | VEDANTA LTD                                | 42,500  | 11,919,705  | 11,808,625  | -       | -           | -           |
| 55 | NMDC LTD                                   | 231,565 | 29,298,348  | 27,452,031  | 78,332  | 10,775,166  | 10,425,989  |
| 56 | BOSCH LTD                                  | 733     | 17,044,306  | 13,206,864  | 210     | 4,850,955   | 4,777,763   |
| 57 | ZEE ENTERTAINMENT LTD                      | 26,118  | 13,146,294  | 15,030,909  | 7,000   | 2,946,475   | 3,748,850   |
| 58 | BHARAT FORGE LTD                           | 40,018  | 29,138,642  | 27,998,594  | -       | -           | -           |
| 59 | BRITANIA INDUSTRIES LTD                    | 1,150   | 3,338,086   | 5,716,190   | 1,150   | 3,338,086   | 3,880,100   |
| 60 | CASTROL INDIA LTD                          | 86,522  | 17,572,272  | 17,728,358  | 42,800  | 17,375,643  | 18,506,720  |
| 61 | BHARTI INFRA TEL LTD                       | 14,500  | 5,008,690   | 4,874,175   | 8,000   | 2,578,250   | 2,607,200   |
| 62 | MOTHERSON SUMI SYSTEMS LIMITED             | 58,000  | 17,682,650  | 18,035,100  | 14,000  | 4,516,136   | 5,206,600   |
| 63 | HINDUSTAN ZINC LTD                         | 58,074  | 15,653,792  | 17,454,141  | 35,000  | 9,512,630   | 10,108,000  |
| 64 | JSW STEEL LIMITED                          | 10,000  | 2,008,500   | 2,881,500   | -       | -           | -           |
| 65 | ADITYA BIRLA CAPITAL LIMITED               | 44,268  | 6,421,672   | 6,460,915   | -       | -           | -           |
| 66 | BHARAT ELECTRONICS LIMITED                 | 170,624 | 29,860,367  | 24,134,765  | -       | -           | -           |
| 67 | TATA STEEL LTD PARTLY PAID UP              | 9,000   | 1,386,000   | 1,264,950   | -       | -           | -           |
| 73 | TATA POWER LTD.                            | -       | -           | -           | 296,475 | 22,116,889  | 26,786,516  |
| 74 | BHARAT HEAVY ELECTRICALS LTD               | -       | -           | -           | 111,761 | 18,205,567  | 18,200,279  |



|    |   |           |                      |                      |           |                      |                      |
|----|---|-----------|----------------------|----------------------|-----------|----------------------|----------------------|
| 75 | YES BANK LTD  | -         | -                    | -                    | 1,500     | 1,911,000            | 2,320,125            |
| 76 | DABUR INDIA LTD.  | -         | -                    | -                    | 15,000    | 3,964,173            | 4,160,250            |
| 77 | IDEA CELLULAR LIMITED                                   | -         | -                    | -                    | 204,813   | 22,556,546           | 17,583,196           |
| 78 | LUPIN LTD.  | -         | -                    | -                    | 26,950    | 44,799,626           | 38,948,140           |
| 79 | POWER FINANCE CORPORATION LTD.                          | -         | -                    | -                    | 28,000    | 3,246,198            | 4,085,200            |
| 69 | SBI BLUECHIP FUND DIRECT GROWTH                         | 1,909,030 | 54,534,365           | 74,472,615           | 4,393,197 | 125,500,000          | 152,063,044          |
| 70 | BIRLA SUN LIFE FRONTLINE EQUITY FUND GROWTH DIRECT PLAN | 427,372   | 67,684,677           | 93,906,432           | 682,561   | 108,100,000          | 136,389,291          |
| 71 | KOTAK SELECT FOCUS FUND                                 | 5,668,236 | 169,000,000          | 189,755,521          | 2,743,525 | 74,000,000           | 81,693,950           |
| 72 | HDFC EQUITY FUND-DIRECT PLAN-GROWTH OPTION              | 58,266    | 35,000,000           | 35,915,784           | -         | -                    | -                    |
| 80 | FRANKLIN INDIA BLUECHIP FUND DIRECT GROWTH              | -         | -                    | -                    | 41,559    | 15,000,000           | 17,604,681           |
|    | <b>Sub Total</b>  |           | <b>3,177,753,809</b> | <b>3,525,263,846</b> |           | <b>1,904,277,268</b> | <b>2,151,225,648</b> |

|                        |                                  |        |                   |                    |        |                   |                    |
|------------------------|----------------------------------|--------|-------------------|--------------------|--------|-------------------|--------------------|
| <b>B : Mutual Fund</b> |                                  |        |                   |                    |        |                   |                    |
| Sr No.                 | Security Name                    | Units  | Book Cost (Rs.)   | Market Value (Rs.) | Units  | Book Cost (Rs.)   | Market Value (Rs.) |
| 1                      | LIC MF LIQUID FUND DIRECT GROWTH | 22,055 | 69,404,488        | 69,492,888         | 21,596 | 63,666,941        | 63,669,867         |
|                        | <b>Sub Total</b>                 |        | <b>69,404,488</b> | <b>69,492,888</b>  |        | <b>63,666,941</b> | <b>63,669,867</b>  |



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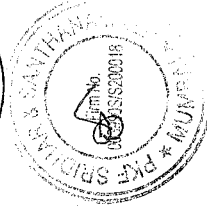
**Key Statistics**

**LIC Pension Fund Limited**

**Name of the Scheme: F Tier I**

| S. No. | Particulars  | As at March 31, 2018 | As at March 31, 2017 |
|--------|--|----------------------|----------------------|
| 1      | NAV Per Unit (Rs.)*                                      |                      |                      |
|        | Open   | 16.0524              | 13.242               |
|        | High   | 19.2127              | 16.0524              |
|        | Low  | 16.0093              | 12.9688              |
|        | End  | 17.5057              | 16.0524              |
| 2      | Closing Assets Under Management (Rs. In Lakhs)           | 35,558.25            | 22,078.41            |
|        | End  | 35,558.25            | 22,078.41            |
|        | Average (AUM)  | 28,646.26            | 15,325.35            |
| 3      | Gross income as % of AUM                                 | 4.63                 | 2.92                 |
| 4      | Expense Ratio  |                      |                      |
| a      | Total Expense as % of AUM (Scheme wise)                  | 1.32                 | 0.18                 |
| b      | Management Fee as % of AUM (Scheme Wise)                 | 0.01                 | 0.01                 |
| 5      | Net Income as a percentage of AUM                        | 3.31                 | 2.74                 |
| 6      | Portfolio turnover ratio                                 | 0.23                 | 0.10                 |
| 7      | Returns (%) * Compounded Annualised Yield                |                      |                      |
|        | a. Last One Year   |                      |                      |
|        | Benchmark (NIFTY 100 TRI)                                | 12.09%               | 20.87%               |
|        | b. Since inception                                       |                      |                      |
|        | Benchmark (NIFTY 100 TRI)                                | 13.08%               | 13.34%               |
|        | c. Compounded annualised yield (%)                       |                      |                      |
|        | Last 1 Year  | 9.05%                | 21.22%               |
|        | Last 3 Years   | 6.78%                | 12.49%               |
|        | Last 5 Years   | N.A.                 | N.A.                 |
|        | Since Launch of the scheme (23-Jul-2013)                 | 12.68%               | 13.68%               |
|        | * Declared NAV; Returns calculated based on declared NAV |                      |                      |

Note: Returns for period greater than one year are compounded annualised returns



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**INDEPENDENT AUDITOR'S REPORT**

**TO**

**THE TRUSTEES,**

**NATIONAL PENSION SYSTEM TRUST (NPS Trust)**

**Report on Financial Statements**

1. We have audited the accompanying financial statements of Scheme 08: NPS Trust A/c – LIC Pension Fund Scheme E-Tier II under the National Pension System Trust (NPS Trust) managed by LIC Pension Fund Ltd. (PFM) [in terms of clause 3 of PFRDA (preparation of Financial Statements) Guidelines 2012] which comprises of the Balance sheet as at March 31, 2018 and the Revenue account for the year then ended, and a summary of significant accounting policies and other explanatory information.

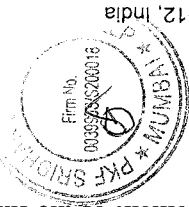
**Management's Responsibility for the Financial Statements**

2. The Board of Directors of the PFM, in accordance with the applicable Pension Fund Regulatory and Development Authority (PFRA) Guidelines and the Investment Management Agreement (IMA) with the National Pension System Trust (NPS Trust) is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Companies Act, 2013 read with the Rule 7 of the Companies (Accounts) Rule 2014, to the extent made applicable by PFRA to Scheme. This responsibility also includes maintenance of records in accordance with PFRA guidelines for safeguarding of the assets of the Company and preventing frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

**Auditor's Responsibility**

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial



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8. As required by the FRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended we report that:
- We have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit.
  - The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.

#### *Report on Other Legal and Regulatory Requirements*

- Rs. 12,98,532/- is lying with Trustee Bank as on 31<sup>st</sup> March, 2018 (Previous Year Rs. 5,50,265/-) the units in respect of which have been allotted in the next financial year on receipt of funds by the FPM. This does not have any impact on the surplus for the period; though the subscription received pending allotments as well as balances with bank are understated by the said amount.
7. As explained in Note No. 71 giving background of the Scheme regarding unbled architecture, the FPM receives consolidated funds and does not have access to the individual subscribers' data. However, based on the individual subscribers' data and break-up of balance in bank accounts provided to us by the CRA, without modifying our opinion, we invite attention to the following:

#### *Emphasis of Matter*

- in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2018;
  - in the case of the Revenue Account, of the surplus of the Scheme for the period ended on that date; and
6. In our opinion and to the best of our information and according to the explanations given to us the financial statements give the information required by the FRDA (Preparation of Financial Statements and Auditor's Report of schemes under National Pension System) Guidelines 2012, and give a true and fair view in conformity with the accounting principles generally accepted in India:

#### *Opinion*

- We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
5. In making those risk assessments, the auditor considers internal control relevant to the FPM'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 FPM, as well as evaluating the overall presentation of the financial statements.

- (c) In our opinion, proper books of account of the scheme, as required by the PFDA has been maintained by the FFM so far as appears from our examination of those books.
- (d) All transactions expenses in excess of the limits contractually agreed to/approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme
- (e) In our opinion the Balance Sheet and Revenue account of the Scheme dealt with by this report comply with the Accounting Standards notified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rule, 2014 to the extent made applicable by PFDA.

9. We further certify that

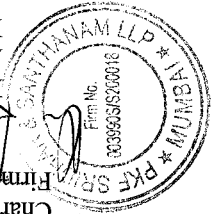
- a) Investments has been valued in accordance with the guidelines issued by the Authority;

- b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fees

For PKF SRIDHAR & SANTHANAM LLP

Chartered Accountants  
Firm Registration No: 003990S/S200018

*[Handwritten Signature]*  
 R. Suriyanarayanan  
 Partner  
 M. No: 201402



Mumbai:

28 JUN 2018

NATIONAL PENSION SYSTEM TRUST

NPS TRUST - A/C LIC PENSION FUND LIMITED'S PENSION FUND SCHEME - E TIER II

BALANCE SHEET AS AT MARCH 31, 2018

Schedules As at March 31, 2018 As at March 31, 2017  
₹ ₹

| Liabilities   | 1          | 2          | 3         | Total      |
|---|------------|------------|-----------|------------|
| Unit Capital  | 61,406,438 | 28,370,812 | 1,349,194 | 91,126,444 |
| Reserves and Surplus                                  | 27,398,759 | 9,517,861  | 339,159   | 37,255,779 |
| Current Liabilities and Provisions                    |            |            |           |            |
| Assets  | 4          | 5          | 6         | Total      |
| Investments   | 91,039,661 | -          | 86,783    | 91,126,444 |
| Deposits  |            |            |           |            |
| Other Current Assets                                  |            |            | 1,522,150 | 37,255,779 |
| (a) Net assets as per Balance Sheet                   | 89,777,250 |            |           | 36,916,620 |
| (b) Number of Units outstanding                       | 6,140,644  |            |           | 2,739,876  |
| Significant Accounting Policies and Notes to Accounts | 7          |            |           |            |

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

For PKE SRIDHAR & SANTHANAM LLP

Chartered Accountants  
Firm Regn No. 093990S/S200018



Date: 28 JUN 2018  
Place: Mumbai

For and on Behalf of NPS Trust

For LIC Pension Fund Ltd

MD & CEO

Director



Date: Mumbai  
Place: Mumbai

Ashvin Parekh  
(Chairman, NPS Trust Board)



Munish Malik  
(Chief Executive Officer)  
NPS Trust Board

Date: Mumbai  
Place: Mumbai

28 JUN 2018

NATIONAL PENSION SYSTEM TRUST

NPS TRUST - A/C LIC PENSION FUND LIMITED'S PENSION FUND SCHEME - E TIER II

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2018

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|-------------|---------------------------|---------------------------|
|-------------|---------------------------|---------------------------|

|   |                  |                  |
|---|------------------|------------------|
| Income  | 745,694          | 234,632          |
| Dividend  | 0                | 0                |
| Interest  | 0                | 0                |
| Profit on sale/redemption of investments            | 1,480,184        | 500,072          |
| Profit on inter-scheme transfer/sale of investments | 0                | 0                |
| Unrealized gain on appreciation in investments      | 1,572,390        | 3,011,220        |
| Other Income  | 0                | 2                |
| <b>Total</b>  | <b>3,798,268</b> | <b>3,745,926</b> |

|   |                |               |
|---|----------------|---------------|
| Expenses and Losses   | 0              | 0             |
| Unrealized losses in value of investments                           | 0              | 0             |
| Loss on sale/redemption of investments                              | 552,971        | 57,989        |
| Loss on inter-scheme transfer/sale of investments                   | 0              | 0             |
| Management fees (including service Tax)                             | 7,546          | 2,243         |
| NPS Trust fees  | 6,423          | 1,951         |
| Custodian fees  | 1,542          | 528           |
| CRA Fees  | 36,837         | 16,984        |
| Less: Amount recoverable on sale of units on account of CRA Charges | (36,837)       | (16,984)      |
| Trustee Bank's fees   | 0              | 0             |
| Depository and settlement charges                                   | 723            | 344           |
| Other Expenses, if any  | 2              | 0             |
| <b>Total</b>  | <b>569,207</b> | <b>63,055</b> |

|   |           |           |
|---|-----------|-----------|
| Surplus/(Deficit) for the year                              | 3,229,061 | 3,682,871 |
| Less: Amount transferred to Unrealised appreciation account | 1,572,390 | 3,011,220 |
| Less: Amount transferred to General Reserve                 | 1,656,671 | 671,651   |
| Amount carried forward to Balance Sheet                     | 0         | 0         |

Significant Accounting Policies and Notes to Accounts 7

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

For PRE SANDBHAR & SANTHANAM LLP

Chartered Accountants  
R. Suryanarayana  
Partner  
Membership No. 201402

Date: 28 JUN 2018  
Place: Mumbai

For and on Behalf of NPS Trust

Ashvin Parekh  
(Chairman, NPS Trust Board)

Date: Mumbai



28 JUN 2018

Munish Malik  
(Chief Executive Officer)  
NPS Trust Board

Date: Mumbai

MD & CEO  
Director



NATIONAL PENSION SYSTEM TRUST

NPS TRUST - A/C LIC PENSION FUND LIMITED'S PENSION FUND SCHEME - E TIER II

NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2018

| Schedule 1 | As at March 31, 2018 | As at March 31, 2017 |
|------------|----------------------|----------------------|
|------------|----------------------|----------------------|

Unit Capital

Initial Capital

|  |            |            |
|--|------------|------------|
| Outstanding at the beginning of the year | 27,398,759 | 8,077,047  |
| Add: Units issued during the year        | 50,227,102 | 23,889,122 |
| Less: Units redeemed during the year     | 16,219,423 | 4,567,410  |
| Outstanding at the end of the year       | 61,406,438 | 27,398,759 |

Outstanding at the beginning of the year (Face Value of Rs.10/- each unit, fully paid up)

|  |           |           |
|--|-----------|-----------|
| Outstanding units at the beginning of the year | 2,739,876 | 807,705   |
| Add: Units issued during the year              | 5,022,710 | 2,388,912 |
| Less: Units redeemed during the year           | 1,621,942 | 456,741   |
| Outstanding Units at the end of the year       | 6,140,644 | 2,739,876 |

| Schedule 2 | As at March 31, 2018 | As at March 31, 2017 |
|------------|----------------------|----------------------|
|------------|----------------------|----------------------|

Reserves and Surplus

|                                 |            |           |
|---------------------------------|------------|-----------|
| Unit Premium Reserve            | 5,759,397  | 831,760   |
| Opening Balance                 | 23,434,716 | 6,214,818 |
| Add: Premium on Units issued    | 7,810,826  | 1,287,181 |
| Less: Premium on Units redeemed | 21,363,287 | 5,759,397 |
| Closing Balance                 | 21,363,287 | 5,759,397 |

General Reserve

|  |           |         |
|--|-----------|---------|
| Opening Balance                        | 809,995   | 138,344 |
| Add: Transfer from Revenue Account     | 1,656,671 | 671,651 |
| Less: Transfer to Unit Premium Reserve | 0         | 0       |
| Closing Balance                        | 2,466,666 | 809,995 |

Unrealised Appreciation Account

|  |           |           |
|--|-----------|-----------|
| Opening Balance  | 2,948,469 | 84,933    |
| Add: Adjustment for Previous years unrealised appreciation reserve | 0         | (147,684) |
| Add/(Less): Transfer from/(to) Revenue Account                     | 1,572,390 | 3,011,220 |
| Closing Balance  | 4,520,859 | 2,948,469 |

Total

| Schedule 3 | As at March 31, 2018 | As at March 31, 2017 |
|------------|----------------------|----------------------|
|------------|----------------------|----------------------|

Current Liabilities and Provisions

Current Liabilities

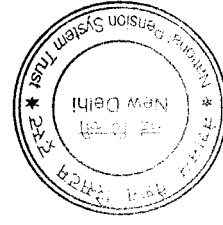
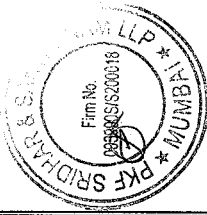
|                                      |           |         |
|--------------------------------------|-----------|---------|
| Redemption Payable                   | 358,433   | 193,214 |
| TDS Payable                          | 0         | (45)    |
| Contract for Purchase of Investments | 984,342   | 143,293 |
| Sundry Creditors for expenses        | 6,419     | 2,697   |
|                                      | 1,349,194 | 339,159 |

Sundry Creditors for expenses

Contract for Purchase of Investments

TDS Payable

Redemption Payable



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*(Handwritten mark)*

86,783 1,522,150

| Other Current Assets                            | As at March 31, 2018 | As at March 31, 2017 |
|---|----------------------|----------------------|
| Outstanding and accrued income                  | 0                    | 0                    |
| Balance with Trustee Bank                       | 49,257               | 2,090                |
| Application Pending Allotment                   | 0                    | 1,500,000            |
| Contract for sale of investments                | 0                    | 0                    |
| Dividend Receivable                             | 37,100               | 19,552               |
| Tax Receivable                                  | 0                    | 0                    |
| Brokerage receivable from LIC Pension Fund Ltd. | 426                  | 508                  |

**Schedule 6** As at March 31, 2018 As at March 31, 2017

| Deposits                      | As at March 31, 2018 | As at March 31, 2017 |
|-------------------------------|----------------------|----------------------|
| Deposits with Scheduled Banks | 0                    | 0                    |

**Schedule 5** As at March 31, 2018 As at March 31, 2017

| Investments (Long Term and Short Term)                             | As at March 31, 2018 | As at March 31, 2017 |
|--|----------------------|----------------------|
| Equity Shares  | 87,889,974           | 34,716,484           |
| Debentures and Bonds Listed/Awaiting Listing                       | 0                    | 0                    |
| Central and State Government Securities (including treasury bills) | 0                    | 0                    |
| Commercial Paper   | 0                    | 0                    |
| Others - Mutual Fund Units   | 3,149,687            | 1,017,145            |
| - Certificates of Deposit  | 0                    | 0                    |
| <b>Total</b>   | <b>91,039,661</b>    | <b>35,733,629</b>    |

**Schedule 4** As at March 31, 2018 As at March 31, 2017

# National Pension System Trust

## SCHEME 08 : NPS TRUST A/C LIC PENSION FUND LIMITED'S PENSION FUND SCHEME

### E TIER II

#### Note 7: Significant Accounting Policies and Notes to Accounts

#### Background

The Central Government had introduced the National Pension System (NPS) with effect from January 1, 2004 (except for armed forces). Pension Fund Regulatory and Development Authority (PFRDA), the regulatory body for NPS, finalized the architecture and appointed e-Governance Infrastructure Limited (NSDL) and Kary ComputerShare Private Limited as Central Recordkeeping Agencies (CRAs), Axis Bank as Trustee Bank and Stock Holding Corporation Limited as a Custodian, other entities for National Pension System and appointed LIC Pension Fund Ltd (LICPFL) as one of the Fund manager for the Scheme.

LICPFL has entered into an Investment Management Agreement ('IMA') with NPS. The Pension Fund Regulatory and Development Authority ('PFRDA') guidelines require each PFM to manage subscribers' funds made available to it by the Trustee bank. However, the responsibility of maintaining individual subscriber's records is not with PFM and is managed by the CRA. The CRAs do not furnish any subscribers level data to the PFM and provide only consolidated subscribers data of cash inflow for units to be allotted and number of units to be redeemed to PFM. The PFM makes investments as per the requirements of IMA and the scheme wise flow of funds from CRAs.

Under All Citizen Model of NPS, there are three assets classes viz Equity (E), Government Securities (G), and Corporate Debt (C). The funds are invested in Equity Class through Pension Fund Managers

#### Significant Accounting Policies

##### A. Basis of accounting

The financial statements are 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 are prepared on an accrual basis.

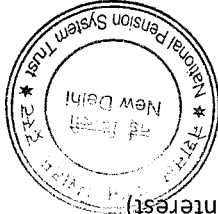
##### B. Investments

(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.

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








Company in which sponsor of LIC Pension Fund Limited has substantial interest (A)

IV.

| Particulars                              | March 31, 2018           | March 31, 2017           |
|--|--------------------------|--------------------------|
| Name of the Group Company/Associate      | LIC Housing Finance Ltd. | LIC Housing Finance Ltd. |
| Amount Invested by the scheme (Rs.)      | 3,42,285                 | 3,42,285                 |
| Market value (Rs)                        | 12,85,828                | 4,08,177                 |
| Aggregate investment by all scheme (Rs.) | 98380,51,842             | 6,23,92,46,100           |

III. Investment in Group Company and Associates:

Based on the confirmation from CRA, the number of units as at the year end are 61,40,642.1847 (Previous Year 27,39,875.1377) and the balance 1.5934 (Previous Year 0.6932) have been identified as residual units with CRA.

Units are created and redeemed based on the intimation provided by Central Record Keeping Agency(CRA) and the same are reflected as Unit Capital and the net premium or discount to the face value is transferred to Unit Premium reserve.

II.

Unit Capital :

1. Rs. 12,98,532/- is lying with the trustee bank as on 31st March 2018, (Previous Year Rs. 550,265/-) the units in respect of which have been allotted in the next financial year on the receipt of the funds by the PFM. Accordingly the said amount is not included in the subscription received pending allotment as well as the balance with bank, on account of the manner in which the PFM operates as stated in above Note "Background".

L.

Other Notes

K. 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.

J.

The net unrealized gain or loss in the value of investments is determined separately for each category of investment. The aggregate net change in unrealized gain or loss between two balance sheet dates is recognized in the revenue account. Later, the change in unrealized gain (net) in the value of investment is transferred from/to unrealized appreciation reserve through appropriation account

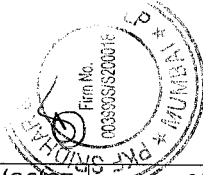
I.

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.

H.

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.



| Particulars                          | March 31, 2018  | March 31, 2017  |
|--------------------------------------|---|---|
| Industry Group                       | Amount of investment (Rs.) related to that classification | Amount of investment (Rs.) related to that classification |
| Monetary intermediation of banks     | 162,07,993  | 64,52,304   |
| Writing, modifying, test of computer | 55,66,013   | 23,93,401   |
|                                      | 6.33%   | 6.89%   |
|                                      | 18.44%  | 18.59%  |

**Equity Group:**

VII. Total Value of investment falling under each major industry group (which constitute not less than 5% of total investment related to that classification).

Accordingly the scheme has been managed actively from September 2015 to comply with the above guidelines.

Superseding the aforesaid circular PFRDA vide its circular Ref: PFRDA/2015/21/PFM/08 dated 02.09.2015, investment in equity can be made in shares of company on which derivatives are available in Bombay Stock Exchange or National Stock Exchange or Equity Linked Schemes of Mutual Funds or Exchange Traded Funds regulated by the SEBI.

VI. As per the PFRDA Investment Guidelines for Private Sector dated January 29, 2014, the Scheme was required to rebalance its holding in E Tier I and Tier II Schemes and invest in Index Funds / Exchange Traded Funds that replicate the portfolio of either BSE Sensex index or NSE Nifty 50 index. Index Fund Schemes invest in securities in the same weightage comprising of an index. LIC Pension Fund Ltd has tracked/replicated/replicated NSE Sensex as the Index for the FY 2015-16

| Particulars  | March 31, 2018 | March 31, 2017 |
|--|----------------|----------------|
| Aggregate Value of sales (except liquid funds) (Rs.) | 132,49,149     | 30,63,100      |
| %  | 20.63 %        | 15.70 %        |

| Particulars   | March 31, 2018 | March 31, 2017 |
|---|----------------|----------------|
| Aggregate Value of purchase (except liquid funds) (Rs.) | 640,55,459     | 258,75,651     |
| %   | 99.73 %        | 132.65 %       |

V. Purchase/Sale of Investments: The aggregate value of purchase and sales of investments during the year expressed as a percentage of average daily net assets are as under:

| Particulars   | March 31, 2018                          | March 31, 2017                          |
|---|---|---|
| Name of Sponsor of LIC PFL                                    | LIC of India                            | LIC of India                            |
| Name of the company in which sponsor has substantial interest | Stock Holding Corporation of India Ltd. | Stock Holding Corporation of India Ltd. |
| No of shares held   | 31,50,000                               | 31,50,000                               |
| % of Share Holding  | 14.97 %                                 | 14.97 %                                 |
| Amount Paid/ Payable (Rs.)                                    | 1,542                                   | 528                                     |



✓

- VIII. Contingent Liability as on 31<sup>st</sup> March, 2018 is Rs.92,200/- towards uncalled amount of Rs. 461/- per shares on 200 Partly Paid up shares of Tata Steel Ltd. (Previous Year – NIL).
- IX. Figures have been rounded off to the nearest rupee. Previous year figures have been regrouped and rearranged, wherever necessary.

| Total amount invested in Equity |           | 878,89,974 |           | 3,47,16,484 |  |
|---------------------------------|-----------|------------|-----------|-------------|--|
| Manufacture of cigarettes       | 51,76,941 | 5.89%      | 7,32,144  | 2.11%       |  |
| Manufacture of other petroleum  | 44,75,289 | 5.09%      | 14,33,177 | 4.13%       |  |
| Manufacture of allopathic       | 10,06,166 | 1.14%      | 39,54,366 | 11.39%      |  |
| pharmaceut                      |           |            |           |             |  |

**Scheme 08 : NPS TRUST A/C LIC PENSION FUND  
SCHEME E Tier II**

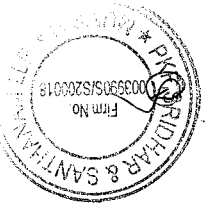
**Schedule Annexed to and forming part of Financial Statements as on 31.03.2018**

| A : | Equity                                       | As at 31.03.2018 |               |           |                 | As at 31.03.2017   |           |                 |                    |
|-----|--|------------------|---------------|-----------|-----------------|--------------------|-----------|-----------------|--------------------|
|     |  | Sr No.           | Security Name | Units     | Book Cost (Rs.) | Market Value (Rs.) | Units     | Book Cost (Rs.) | Market Value (Rs.) |
| 1   | OIL AND NATURAL GAS CORPORATION LTD          | 9,885            | 1,794,021     | 1,757,553 | 3,785           | 637,636            | 700,225   |                 |                    |
| 2   | RELIANCE INDUSTRIES LTD.                     | 5,070            | 3,219,870     | 4,475,289 | 1,085           | 1,121,632          | 1,433,177 |                 |                    |
| 3   | TATA STEEL LIMITED                           | 2,851            | 1,473,611     | 1,628,064 | 883             | 413,281            | 426,224   |                 |                    |
| 4   | INFOSYS TECHNOLOGIES LTD                     | 1,774            | 1,831,994     | 2,007,813 | 1,245           | 1,358,956          | 1,272,701 |                 |                    |
| 5   | LARSEN AND TOUBRO LTD                        | 2,712            | 2,987,038     | 3,555,161 | 650             | 910,886            | 1,023,685 |                 |                    |
| 6   | GAIL INDIA                                   | 2,364            | 643,034       | 776,692   | 873             | 289,776            | 329,077   |                 |                    |
| 7   | BHARATI AIRTEL                               | 1,262            | 577,263       | 503,159   | 262             | 91,851             | 91,713    |                 |                    |
| 8   | ITC LTD                                      | 20,262           | 5,425,789     | 5,176,941 | 2,612           | 607,331            | 732,144   |                 |                    |
| 9   | NTPC LTD                                     | 5,950            | 974,493       | 1,009,715 | 500             | 64,355             | 83,000    |                 |                    |
| 10  | STATE BANK OF INDIA                          | 8,775            | 2,281,269     | 2,192,873 | 3,300           | 751,865            | 968,220   |                 |                    |
| 11  | HINDUSTAN UNILEVER LTD.                      | 898              | 826,764       | 1,197,348 | 598             | 504,663            | 545,227   |                 |                    |
| 12  | SIEMENS LTD.                                 | 340              | 435,400       | 364,769   | -               | -                  | -         |                 |                    |
| 13  | TATA MOTORS LTD.                             | 6,805            | 2,942,006     | 2,224,214 | 2,155           | 970,389            | 1,003,907 |                 |                    |
| 14  | AMBUJA CEMENTS LTD.                          | 3,460            | 890,285       | 806,007   | 410             | 86,407             | 97,027    |                 |                    |
| 15  | BHARAT HEAVY ELECTRICALS LTD                 | 2,866            | 306,879       | 233,149   | 1,911           | 306,925            | 311,206   |                 |                    |
| 16  | POWER GRID CORPORATION OF INDIA LTD          | 10,193           | 2,041,992     | 1,969,797 | 2,843           | 501,262            | 560,924   |                 |                    |
| 17  | RURAL ELECTRIFICATION CORPORATION LTD.       | 6,250            | 1,037,695     | 779,375   | 200             | 15,950             | 36,200    |                 |                    |
| 18  | TATA CONSULTANCY SERVICES LTD.               | 971              | 2,626,025     | 2,766,525 | 285             | 686,943            | 693,063   |                 |                    |
| 19  | INDIAN OIL CORPORATION LTD                   | 7,250            | 1,408,059     | 1,280,350 | 400             | 119,346            | 154,820   |                 |                    |
| 20  | AXIS BANK LIMITED                            | 2,838            | 1,394,091     | 1,448,799 | 888             | 417,536            | 435,830   |                 |                    |
| 21  | GRASIM INDUSTRIES LTD.                       | 880              | 823,923       | 924,792   | 155             | 131,248            | 162,595   |                 |                    |
| 22  | HOUSING DEVELOPMENT FINANCE CORPORATION LTD. | 1,520            | 2,538,419     | 2,774,912 | 200             | 229,662            | 300,420   |                 |                    |
| 23  | ASIAN PAINTS LTD.                            | 1,024            | 1,062,025     | 1,147,290 | 424             | 375,425            | 455,164   |                 |                    |
| 24  | ASHOK LEYLAND LTD.                           | 7,050            | 628,675       | 1,025,423 | 6,550           | 587,700            | 553,803   |                 |                    |
| 25  | CIPLA LTD.                                   | 140              | 76,078        | 76,363    | 990             | 537,978            | 587,021   |                 |                    |
| 26  | MARUTI SUZUKI INDIA LTD.                     | 303              | 2,157,351     | 2,684,913 | 163             | 923,997            | 980,559   |                 |                    |
| 27  | COLGATE PALMOLIVE (INDIA) LTD.               | 410              | 354,718       | 433,329   | 410             | 354,718            | 408,155   |                 |                    |
| 28  | LIC HOUSING FINANCE LTD.                     | 2,210            | 1,285,828     | 1,181,024 | 660             | 342,285            | 408,177   |                 |                    |
| 29  | Tata Chemicals Limited                       | 1,325            | 814,930       | 897,224   | 725             | 394,823            | 434,094   |                 |                    |
| 30  | PETRONET LNG LTD.                            | 3,380            | 700,667       | 780,611   | 840             | 309,003            | 338,646   |                 |                    |



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|    |  |        |           |  |           |       |           |           |
|----|--|--------|-----------|--|-----------|-------|-----------|-----------|
| 31 | IDEA CELLULAR LIMITED                      | 1      | 107       |  | 76        | 2,601 | 278,485   | 223,296   |
| 32 | HDFC BANK LIMITED                          | 2,290  | 3,634,094 |  | 4,319,169 | 650   | 697,863   | 937,658   |
| 33 | HINDALCO INDUSTRIES LIMITED.               | 4,258  | 934,637   |  | 913,554   | 2,108 | 359,766   | 411,165   |
| 34 | MAHINDRA & MAHINDRA LTD.                   | 2,855  | 1,995,223 |  | 2,109,560 | 315   | 403,004   | 405,374   |
| 35 | DR. REDDYS LABORATORIES LTD.               | 60     | 146,682   |  | 124,833   | 195   | 585,592   | 513,308   |
| 36 | COAL INDIA LIMITED                         | 3,917  | 1,127,182 |  | 1,109,686 | 2,317 | 712,195   | 678,070   |
| 37 | BAJAJ AUTO LTD.                            | 297    | 846,681   |  | 815,176   | 147   | 385,091   | 412,401   |
| 38 | BANK OF BARODA                             | 6,200  | 1,027,809 |  | 882,260   | 4,700 | 746,015   | 812,865   |
| 39 | SUN PHARMACEUTICALS INDUSTRIES LTD.        | 182    | 135,655   |  | 90,108    | 1,482 | 1,104,620 | 1,019,838 |
| 40 | ACC LTD.                                   | 60     | 90,340    |  | 90,450    | 160   | 226,677   | 231,368   |
| 41 | HERO MOTOCORP LTD.                         | 250    | 920,858   |  | 885,700   | -     | -         | -         |
| 42 | Ultratech Cement Limited                   | 351    | 1,454,480 |  | 1,386,450 | 80    | 257,654   | 318,780   |
| 43 | HCL TECHNOLOGIES LTD.                      | 25     | 21,422    |  | 24,215    | 101   | 86,545    | 88,350    |
| 44 | Apollo Tyres Limited                       | 2,150  | 460,755   |  | 595,658   | 800   | 142,700   | 166,960   |
| 45 | INDUSIND BANK LTD.                         | 1,295  | 1,887,004 |  | 2,326,791 | 285   | 273,742   | 406,168   |
| 46 | KOTAK MAHINDRA BANK LTD.                   | 1,240  | 1,100,500 |  | 1,299,272 | 1,090 | 807,598   | 950,698   |
| 47 | LUPIN LTD.                                 | 1      | 1,025     |  | 736       | 470   | 744,050   | 679,244   |
| 48 | TATA GLOBAL BEVERAGES LTD.                 | 25     | 3,790     |  | 6,469     | -     | -         | -         |
| 49 | GLENMARK PHARMACEUTICALS LTD.              | 970    | 773,692   |  | 510,511   | 670   | 591,692   | 570,907   |
| 50 | WIPRO LIMITED                              | 617    | 162,754   |  | 173,470   | 97    | 48,663    | 50,023    |
| 51 | TECH MAHINDRA LIMITED                      | 930    | 435,695   |  | 593,991   | 630   | 302,298   | 289,265   |
| 52 | CANARA BANK                                | 966    | 337,386   |  | 254,927   | 756   | 212,913   | 228,879   |
| 53 | ICICI BANK LTD.                            | 11,635 | 3,010,293 |  | 3,238,602 | 6,100 | 1,597,645 | 1,688,785 |
| 54 | AUROBINDO PHARMA LIMITED                   | 365    | 256,034   |  | 203,615   | 865   | 606,766   | 584,048   |
| 55 | FEDERAL BANK LIMITED                       | 2,750  | 304,338   |  | 245,300   | -     | -         | -         |
| 56 | UPL LTD. (FORMERLY UNITED PHOSPHORUS LTD.) | 1,750  | 1,352,211 |  | 1,277,938 | -     | -         | -         |
| 57 | VEDANTA LTD                                | 200    | 56,400    |  | 55,570    | -     | -         | -         |
| 58 | NMDC LTD                                   | 5,221  | 632,507   |  | 618,950   | 621   | 86,320    | 82,655    |
| 59 | BOSCH LTD                                  | 67     | 1,590,025 |  | 1,207,176 | -     | -         | -         |
| 60 | ZEE ENTERTAINMENT LTD                      | 700    | 346,621   |  | 402,850   | 350   | 143,546   | 187,443   |
| 61 | BHARAT FORGE LTD                           | 1,350  | 991,830   |  | 944,528   | -     | -         | -         |
| 62 | BRITANIA INDUSTRIES LTD                    | 130    | 425,238   |  | 646,178   | 60    | 176,140   | 202,440   |
| 63 | CASTROL INDIA LTD                          | 2,230  | 452,846   |  | 456,927   | 1,115 | 451,999   | 482,126   |
| 64 | BHARTI INFRA TEL LTD                       | 800    | 279,983   |  | 268,920   | 400   | 130,650   | 130,360   |
| 65 | MOTHERSON SUMI SYSTEMS LIMITED             | 2,198  | 674,273   |  | 683,468   | 660   | 211,775   | 245,454   |
| 66 | HINDUSTAN ZINC LTD                         | 2,100  | 587,264   |  | 631,155   | 500   | 138,474   | 144,400   |
| 67 | JSW STEEL LIMITED                          | 200    | 40,175    |  | 57,630    | -     | -         | -         |
| 68 | ADITYA BIRLA CAPITAL LIMITED               | 917    | 143,520   |  | 133,836   | -     | -         | -         |
| 69 | BHARAT ELECTRONICS LIMITED                 | 6,270  | 1,121,457 |  | 886,892   | -     | -         | -         |

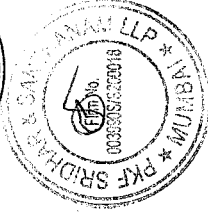
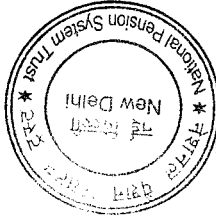


|    |   |         |                   |                   |        |                   |                   |   |
|----|---|---------|-------------------|-------------------|--------|-------------------|-------------------|---|
| 70 | TATA STEEL LTD PARTLY PAID UP                           | 200     | 30,800            | 28,110            | -      | -                 | -                 | - |
| 71 | BHARAT PETROLEUM CORPORATION LIMITED                    | -       | -                 | -                 | 987    | 626,402           | 641,402           | - |
| 72 | TATA POWER LTD.   | -       | -                 | -                 | 4,960  | 372,495           | 448,136           | - |
| 73 | YES BANK LTD  | -       | -                 | -                 | 15     | 19,110            | 23,201            | - |
| 74 | DABUR INDIA LTD.  | -       | -                 | -                 | 500    | 137,700           | 138,675           | - |
| 75 | SBI BLUECHIP FUND DIRECT GROWTH                         | 62,128  | 1,961,517         | 2,423,654         | 47,150 | 1,350,000         | 1,632,030         | - |
| 76 | BIRLA SUN LIFE FRONTLINE EQUITY FUND GROWTH DIRECT PLAN | 7,024   | 1,108,000         | 1,543,318         | 7,024  | 1,108,000         | 1,403,476         | - |
| 77 | KOTAK SELECT FOCUS FUND                                 | 124,286 | 3,800,000         | 4,160,738         | 43,936 | 1,200,000         | 1,308,279         | - |
| 78 | HDFC EQUITY FUND-DIRECT PLAN-GROWTH OPTION              | 1,918   | 1,150,000         | 1,182,087         | -      | -                 | -                 | - |
| 79 | FRANKLIN INDIA BLUECHIP FUND DIRECT GROWTH              | -       | -                 | -                 | 1,067  | 400,000           | 451,956           | - |
|    | <b>Sub Total</b>  |         | <b>83,373,293</b> | <b>87,889,974</b> |        | <b>31,768,016</b> | <b>34,716,484</b> |   |

|                    |                                  |       |                  |                    |       |                  |                    |   |
|--------------------|----------------------------------|-------|------------------|--------------------|-------|------------------|--------------------|---|
| <b>B :</b>         |                                  |       |                  |                    |       |                  |                    |   |
| <b>Mutual Fund</b> |                                  |       |                  |                    |       |                  |                    |   |
| Sr No.             | Security Name                    | Units | Book Cost (Rs.)  | Market Value (Rs.) | Units | Book Cost (Rs.)  | Market Value (Rs.) |   |
| 1                  | RELIANCE CASH PLAN GROWTH DIRECT | 218   | 609,575          | 610,523            | -     | -                | -                  | - |
| 2                  | LIC MF LIQUID FUND DIRECT GROWTH | 806   | 2,535,934        | 2,539,164          | 345   | 1,017,145        | 1,017,145          | - |
|                    | <b>Sub Total</b>                 |       | <b>3,145,509</b> | <b>3,149,687</b>   |       | <b>1,017,145</b> | <b>1,017,145</b>   |   |



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| Key Statistics   |  |         |
|--|--|---------|
| LIC Pension Fund Limited   |  |         |
| Name of the Scheme: E Tier II  |  |         |
| S. No.   | Particulars                                    |         |
| 1  | NAV Per Unit (Rs.)*                            |         |
|  | Open   | 11.1235 |
|  | High   | 13.4897 |
|  | Low  | 10.8911 |
|  | End  | 13.4738 |
| 2  | Closing Assets Under Management (Rs. In Lakhs) |         |
|  | End  | 897.77  |
|  | Average (AUM)                                  | 642.32  |
|  |  | 195.07  |
| 3  | Gross income as % of AUM                       |         |
|  |  | 3.47    |
|  |  | 3.77    |
| 4  | Expense Ratio                                  |         |
|  |  | 0.89    |
|  |  | 0.32    |
| a  | Total Expense as % of AUM (Scheme wise)        |         |
|  |  | 0.01    |
| b  | Management Fee as % of AUM (Scheme Wise)       |         |
|  |  | 2.58    |
|  |  | 3.44    |
| 5  | Net Income as a percentage of AUM              |         |
|  |  | 0.20    |
|  |  | 0.16    |
| 6  | Portfolio turnover ratio                       |         |
|  |  |         |
| 7  | Returns (%) * Compounded Annualised Yield      |         |
|  | a. Last One Year                               |         |
|  | Benchmark (NIFTY 100 TRI)                      | 12.09%  |
|  | b. Since inception                             |         |
|  | Benchmark (NIFTY 100 TRI)                      | 15.21%  |
|  | c. Compounded annualised yield (%)             |         |
|  | Last 1 Year                                    | 8.51%   |
|  | Last 3 Years                                   | 6.81%   |
|  | Last 5 Years                                   | N.A.    |
|  | Since Launch of the scheme (12-Aug-2013)       | 8.54%   |
|  |  | 8.55%   |
| * Declared NAV, Returns calculated based on declared NAV                         |  |         |
| Note: Returns for period greater than one year are compounded annualised returns |  |         |

**INDEPENDENT AUDITOR'S REPORT**

**TO**

**THE TRUSTEES,**

**NATIONAL PENSION SYSTEM TRUST (NPS Trust)**

**Report on Financial Statements**

1. We have audited the accompanying financial statements of Scheme 06: NPS Trust A/c – Trust) managed by LIC Pension Fund Ltd. (PFM) [in terms of clause 3 of PFRDA (preparation of Financial Statements) Guidelines 2012] which comprises of the Balance sheet as at March 31, 2018 and the Revenue account for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

2. The Board of Directors of the PFM, in accordance with the applicable Pension Fund Regulatory and Development Authority (PFRDA) Guidelines and the Investment Management Agreement (IMA) with the National Pension System Trust (NPS Trust) is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Companies Act, 2013 read with the Rule 7 of the Companies (Accounts) Rule 2014, to the extent made applicable by PFRDA to Scheme. This responsibility also includes maintenance of records in accordance with PFRDA guidelines for safeguarding of the assets of the Company and preventing frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

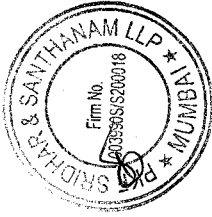
**Auditor's Responsibility**

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial



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7. As explained in Note No. 7L giving background of the Scheme regarding unbundled architecture, the FFM receives consolidated funds and does not have access to the individual subscribers' data. However, based on the individual subscribers' data and break-up of balance in bank accounts provided to us by the CRA, without modifying our opinion, we invite attention to the following:
- a) Rs. 3,99,34,487/- is lying with Trustee Bank as on 31<sup>st</sup> March, 2018 (Previous Year: Rs. 2,12,06,591/-the units in respect of which have been allotted in the next financial year on receipt of funds by the FFM. This does not have any impact on the surplus for the period; though the subscription received pending allotments as well as balances with bank are understated by the said amount.
- b) 1,601.0881 units valued at Rs. 25,667/- as on 31<sup>st</sup> March 2018 (Previous Year: Nil units, valued at Rs. Nil) is lying in the name of Suspense PRAN Accounts maintained by Central Record Keeping Agency(CRA). As explained by CRA, these are parking accounts for error rectification not fully completed.

### *Emphasis of Matter*

6. In our opinion and to the best of our information and according to the explanations given to us the financial statements and Auditor's Report of schemes under National Pension System) Guidelines 2012, and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2018;
- ii) in the case of the Revenue Account, of the surplus of the Scheme for the period ended on that date; and

### *Opinion*

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
6. In our opinion and to the best of our information and according to the explanations given to us the financial statements and Auditor's Report of schemes under National Pension System) Guidelines 2012, and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2018;
- ii) in the case of the Revenue Account, of the surplus of the Scheme for the period ended on that date; and

**Report on Other Legal and Regulatory Requirements**

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

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

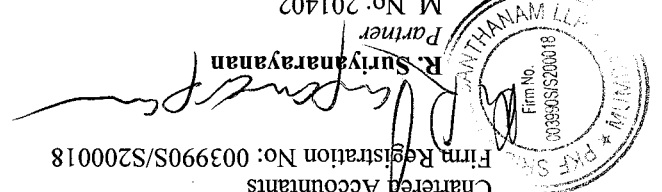
9. We further certify that

- a) Investments has been valued in accordance with the guidelines issued by the Authority *except for the variance set out in Significant Accounting policies in Note 7D.*
- b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fees

**For PKF SRIDHAR & SANTHANAM LLP**

Chartered Accountants

Firm Registration No: 003990S/S200018



R. Suriyanarayanan

Partner

M. No: 201402

Mumbai: 28 JUN 2018

**NATIONAL PENSION SYSTEM TRUST**  
**NPS TRUST - A/C LIC PENSION FUND LIMITED'S PENSION FUND SCHEME - C TIER I**

**BALANCE SHEET AS AT MARCH 31, 2018**

Schedules  
 As at March 31, 2018      As at March 31, 2017  
 ₹                                      ₹

| Liabilities   | 1             | 2           | 3          | Total         |
|---|---------------|-------------|------------|---------------|
| Unit Capital  | 1,445,449,089 | 871,714,300 | 4,053,595  | 2,321,216,984 |
| Reserves and Surplus                                  | 910,245,699   | 468,094,834 | 1,294,091  | 1,379,634,624 |
| Current Liabilities and Provisions                    |               |             |            |               |
| Assets  | 4             | 5           | 6          | Total         |
| Investments   | 2,236,458,896 | 0           | 84,758,088 | 2,321,216,984 |
| Deposits  | 1,335,391,859 | 0           | 44,242,765 | 1,379,634,624 |
| Other Current Assets                                  |               |             |            |               |
| (a) Net assets as per Balance Sheet                   | 2,317,163,389 |             |            | 2,317,163,389 |
| (b) Number of Units outstanding                       | 1,378,340,533 |             |            | 1,378,340,533 |
| Significant Accounting Policies and Notes to Accounts | 7             |             |            |               |

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

For PKF SRIDHAR & SANTHANAM LLP

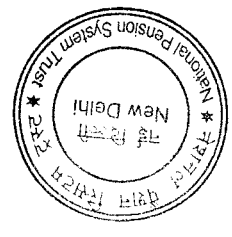
Chartered Accountants  
 Firm Regn No - 063990S/S200018

Partner  
 K. Srinivasan  
 Membership No. 201402

Date: 28 JUN 2018  
 Place: Mumbai

For and on Behalf of NPS Trust

Ashvin Parekh  
 (Chairman, NPS Trust Board)



Date: 28 JUN 2018  
 Place: Mumbai

Date: 28 JUN 2018  
 Place: Mumbai

Munish Malik  
 (Chief Executive Officer)  
 NPS Trust Board

Date: 28 JUN 2018  
 Place: Mumbai

MD & CEO  
 Director



*[Signature]*

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2018

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|-------------|---------------------------|---------------------------|
|-------------|---------------------------|---------------------------|

|   |                    |                    |
|---|--------------------|--------------------|
| Income  | 0                  | 0                  |
| Dividend  | 0                  | 0                  |
| Interest  | 135,458,942        | 78,424,868         |
| Profit on sale/redemption of investments            | 2,764,782          | 2,250,393          |
| Profit on inter-scheme transfer/sale of investments | 0                  | 0                  |
| Unrealized gain on appreciation in investments      | 0                  | 21,108,953         |
| Other Income  | 0                  | 0                  |
| <b>Total</b>  | <b>138,223,724</b> | <b>101,784,214</b> |

|   |                   |                |
|---|-------------------|----------------|
| Expenses and Losses   | 40,526,132        | 0              |
| Unrealized losses in value of investments                           | 0                 | 0              |
| Loss on sale/redemption of investments                              | 0                 | 0              |
| Loss on inter-scheme transfer/sale of investments                   | 0                 | 0              |
| Management fees (including service Tax)                             | 113,420           | 98,681         |
| NPS Trust fees  | 206,738           | 113,420        |
| Custodian fees  | 176,134           | 98,681         |
| CRA Fees  | 62,466            | 37,894         |
| Less: Amount recoverable on sale of units on account of CRA Charges | (1,980,425)       | 1,656,270      |
| Trustee Bank's fees   | (1,980,425)       | (1,656,270)    |
| Depository and settlement charges                                   | 0                 | 0              |
| Provision for Non-performing assets                                 | 9,909             | 7,155          |
| Other Expenses, if any  | 0                 | 0              |
| <b>Total</b>  | <b>40,981,379</b> | <b>257,151</b> |

|   |              |             |
|---|--------------|-------------|
| Surplus/(Deficit) for the year                              | 97,242,345   | 101,527,063 |
| Less: Amount transferred to Unrealised appreciation account | (40,526,132) | 21,108,953  |
| Less: Amount transferred to General Reserve                 | 137,768,477  | 80,418,110  |
| Amount carried forward to Balance Sheet                     | 0            | 0           |

Significant Accounting Policies and Notes to Accounts 7

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

For PRT, SMT & SANTHANAM LLP

Chartered Accountants  
R. Srinivasan  
Partner  
Membership No. - 201402

Date: 28 JUN 2018  
Place: Mumbai

For LIC Pension Fund Ltd

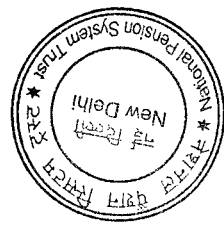
MD & CEO  
Director



Date: Mumbai  
Place: Mumbai

For and on Behalf of NPS Trust

Ashwin Jaisan  
Ashwin Jayekh  
(Chairman, NPS Trust Board)



28 JUN 2018

Date: Mumbai  
Place: Mumbai

Munish Malik  
(Chief Executive Officer)  
NPS Trust Board

NATIONAL PENSION SYSTEM TRUST

NPS TRUST - A/C LIC PENSION FUND LIMITED'S PENSION FUND SCHEME - C TIER I

NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2018

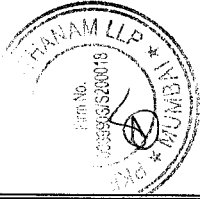
| Schedule 1 |  | As at March 31, 2018 | As at March 31, 2017 |
|------------|--|----------------------|----------------------|
|------------|--|----------------------|----------------------|

| Schedule 2                                       |  | As at March 31, 2018 | As at March 31, 2017 |
|--|--|----------------------|----------------------|
| Unit Capital                                     |  |                      |                      |
| Initial Capital                                  |  |                      |                      |
| Outstanding at the beginning of the year         |  | 910,245,699          | 526,519,273          |
| Add: Units issued during the year                |  | 609,865,178          | 419,795,076          |
| Less: Units redeemed during the year             |  | (74,661,788)         | (36,068,650)         |
| Outstanding at the end of the year               |  | 1,445,449,089        | 910,245,699          |
| (Face Value of Rs.10/- each unit, fully paid up) |  |                      |                      |
| Outstanding units at the beginning of the year   |  | 91,024,570           | 52,651,927           |
| Add: Units issued during the year                |  | 60,986,518           | 41,979,508           |
| Less: Units redeemed during the year             |  | (7,466,179)          | (3,606,865)          |
| Outstanding Units at the end of the year         |  | 144,544,909          | 91,024,570           |

| Schedule 3   |  | As at March 31, 2018 | As at March 31, 2017 |
|--|--|----------------------|----------------------|
| Reserves and Surplus   |  |                      |                      |
| Unit Premium Reserve   |  |                      |                      |
| Opening Balance  |  | 290,928,082          | 111,994,855          |
| Add: Premium on Units issued                                       |  | 348,645,278          | 195,170,714          |
| Less: Premium on Units redeemed                                    |  | (42,268,157)         | (16,237,487)         |
| Closing Balance  |  | 597,305,203          | 290,928,082          |
| General Reserve  |  |                      |                      |
| Opening Balance  |  | 142,050,014          | 61,631,904           |
| Add: Transfer from Revenue Account                                 |  | 137,768,477          | 80,418,110           |
| Less: Transfer to Unit Premium Reserve                             |  | (0)                  | (0)                  |
| Closing Balance  |  | 279,818,491          | 142,050,014          |
| Unrealised Appreciation Account                                    |  |                      |                      |
| Opening Balance  |  | 35,116,738           | 14,007,785           |
| Add: Adjustment for Previous years unrealised appreciation reserve |  | (0)                  | (0)                  |
| Add/(Less): Transfer from/(to) Revenue Account                     |  | (40,526,132)         | 21,108,953           |
| Closing Balance  |  | (5,409,394)          | 35,116,738           |
| Total  |  | 871,714,300          | 468,094,834          |

| Current Liabilities and Provisions |  | As at March 31, 2018 | As at March 31, 2017 |
|------------------------------------|--|----------------------|----------------------|
| Current Liabilities                |  |                      |                      |
| Redemption Payable                 |  | 3,874,775            | 1,187,991            |
| TDS Payable                        |  | (0)                  | (1,002)              |
| Interest received in advance       |  | (0)                  | (0)                  |
| Sundry Creditors for expenses      |  | 178,820              | 105,098              |
|                                    |  | 4,053,595            | 1,294,091            |





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| Schedule 4   |                      | Schedule 5           |          | Schedule 6           |          |
|--|----------------------|----------------------|----------|----------------------|----------|
| As at March 31, 2018   |                      | As at March 31, 2018 |          | As at March 31, 2018 |          |
| As at March 31, 2017   |                      | As at March 31, 2017 |          | As at March 31, 2017 |          |
| <b>Investments (Long Term and Short Term)</b>                      |                      |                      |          |                      |          |
| Equity Shares  | 0                    | 0                    | 0        | 0                    | 0        |
| Debtures and Bonds Listed/Awaiting Listing                         | 2,087,732,212        | 1,285,297,604        | 0        | 0                    | 0        |
| Central and State Government Securities (including treasury bills) | 0                    | 0                    | 0        | 0                    | 0        |
| Commercial Paper   | 0                    | 0                    | 0        | 0                    | 0        |
| AIFs/REITs/NVITs/ABS etc   | 0                    | 0                    | 0        | 0                    | 0        |
| Basel III Tier I bonds   | 0                    | 0                    | 0        | 0                    | 0        |
| Others - Mutual Fund Units   | 148,726,684          | 50,094,255           | 0        | 0                    | 0        |
| - Certificates of Deposit  | 0                    | 0                    | 0        | 0                    | 0        |
| Non Convertible Debentures classified as Non performing investment | 0                    | 0                    | 0        | 0                    | 0        |
| Less: Provision on Non performing investment                       | 0                    | 0                    | 0        | 0                    | 0        |
| <b>Total</b>   | <b>2,236,458,896</b> | <b>1,335,391,859</b> | <b>0</b> | <b>0</b>             | <b>0</b> |
| <b>Other Current Assets</b>  |                      |                      |          |                      |          |
| Outstanding and accrued income                                     | 65,022,543           | 41,507,840           | 0        | 0                    | 0        |
| Balance with Trustee Bank  | 19,735,545           | 2,734,925            | 0        | 0                    | 0        |
| Interest Receivable on Non-Performing Investments                  | 0                    | 0                    | 0        | 0                    | 0        |
| Less: Provision for interest on Non-Performing Investments         | 0                    | 0                    | 0        | 0                    | 0        |
| Dividend Receivable  | 0                    | 0                    | 0        | 0                    | 0        |
| Redemption receivable on investments                               | 0                    | 0                    | 0        | 0                    | 0        |
| Sundry Debtors   | 0                    | 0                    | 0        | 0                    | 0        |
| Redemption receivable on Non performing Investment                 | 0                    | 0                    | 0        | 0                    | 0        |
| Less: Provision for Non performing investment                      | 0                    | 0                    | 0        | 0                    | 0        |
| <b>84,758,088</b>  | <b>44,242,765</b>    | <b>41,507,840</b>    | <b>0</b> | <b>0</b>             | <b>0</b> |

# National Pension System Trust

SCHEME 06 : NPS TRUST A/C LIC PENSION FUND LIMITED'S PENSION FUND SCHEME

## C TIER I

Note 7: Significant Accounting Policies and Notes to Accounts

### Background

The Central Government had introduced the National Pension System (NPS) with effect from January 1, 2004 (except for armed forces). Pension Fund Regulatory and Development Authority (PFRDA), the regulatory body for NPS, finalized the architecture and appointed e-Governance Infrastructure Limited (NSDL) and Kary Computershare Private Limited as Central Recordkeeping Agencies (CRAs), Axis Bank as Trustee Bank and Stock Holding Corporation Limited as a Custodian, other entities for National Pension System and appointed LIC Pension Fund Ltd (LICPFL) as one of the Fund manager for the Scheme.

LICPFL has entered into an Investment Management Agreement ('IMA') with NPS. The Pension Fund Regulatory and Development Authority ('PFRDA') guidelines require each PFM to manage subscribers' funds made available to it by the Trustee bank. However, the responsibility of maintaining individual subscriber's records is not with PFM and is managed by the CRA. The CRAs do not furnish any subscribers level data to the PFM and provide only consolidated subscribers data of cash inflow for units to be allotted and number of units to be redeemed to PFM. The PFM makes investments as per the requirements of IMA and the scheme wise flow of funds from CRAs.

Under All Citizen Model of NPS, there are three assets classes viz Equity (E), Government Securities (G), and Corporate Debt (C). The funds are invested in Corporate Debt Class through Pension Fund Managers.

### Significant Accounting Policies

#### A. Basis of accounting

The financial statements are 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 are prepared on an accrual basis.

#### B. Investments

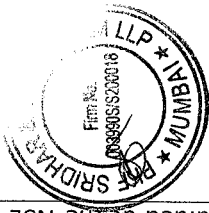
(i) Transactions for purchase or sale of Investments in Government securities, Non Convertible Bonds/Debentures, Equity shares, Fixed Deposits and Mutual Funds units are recognized as of the trade date except in case of subscriptions to Private/Public Offerings of debts which are recognized on allotment.

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



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|                           |   |
|---------------------------|---|
| <b>PFDA Guidelines :</b>  | <b>1. Securities traded at a stock exchange:</b>                                  |
| <b>Valuation Policy :</b> | Debt securities (other than government securities) are valued at the NSE weighted |

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

- i. When a debt security (other than Government Securities) is purchased by way of private placement, it is valued at purchase cost for the period of 15 days from the date of purchase.
  - ii. With residual maturity over 60 days are valued on a yield to maturity basis, base on benchmark rate and average of spreads provided by CRISIL and ICRA.
  - iii. 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.
- Debt securities not traded on a valuation day:

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:

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

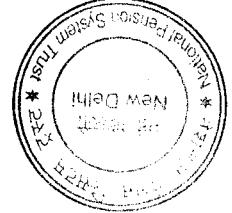
- i. Debt securities (other than government securities) are valued at the weighted average traded price on that day on NSE or BSE, if it is not traded on the NSE.
- ii. Money market instruments like commercial paper and certificate of deposit with residual maturity of up to 60 days, valued at the weighted 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.
- iii. Investments in mutual fund schemes are valued based on the latest available/previous day's net asset value from AMFI website.

#### Securities traded at a stock exchange:

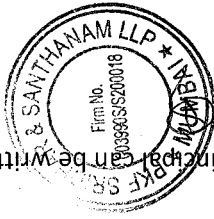
C. **Investment Valuation**

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 PFDA are mentioned in point 'D'.

- (ii) The cost of investments acquired or purchased includes applicable taxes and stamp charges but exclude brokerage and other transactional charges.
- (iii) In respect of privately placed debt instruments, any front-end discounts offered are reduced from the cost of the investment.
- (iv) Investments are reconciled with the custodian records on daily basis.



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

Write -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.

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.

**Re-schedulement of NPA:**

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

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

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

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.

**E. Non Performing Investments:**

|   |   |
|---|---|
| <p>2. Securities not traded at a stock exchange :</p> <p>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 bench mark rate and average of spreads provided by CRISIL and ICRA.</p> <p>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>closing price on the Principal exchange on which the security is traded.</p> |
| <p>average traded price on that day.</p>  |   |

i) 100 % of the assets provided for in the books shall be written back at the end of second calendar quarter, where the provision of principal was made due to the interest defaults only.  
 50 % of the assets provided for in the books shall 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:**

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.

**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 and custodian 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**

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.**

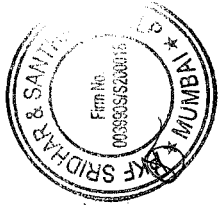
The net unrealized gain or loss in the value of investments is determined separately for each category of investment. The aggregate net change in unrealized gain or loss between two balance sheet dates is recognized in the revenue account. Later, the change in unrealized gain (net) in the value of investment is transferred from/to unrealized appreciation reserve through appropriation account.

**L.**

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.

**M. 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.



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