

To the Trustees of National Pension System Trust

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of NPS Trust Account SBI Pension Fund Scheme C Tier I Under the National Pension System Trust ("the Scheme"), managed by SBI Pension Fund Pvt. Ltd. ("the PFM") which comprise the balance sheet as at March 31, 2019, and the Revenue Account for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by Schedule VII of Pension Fund Regulatory and Development Authority (Pension Fund) Regulation, 2015 ("the Regulations") and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Scheme as at March 31, 2019, and surplus of the Scheme for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013 ("the Act"). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the PFM in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without modifying our opinion, we invite attention to the following:

1. As stated in note no. 12.5 of the financial statements, Rs.1,25,64,220.83 is lying with Trustee Bank as on March 31, 2019 (Previous Year: Rs.10,60,02,693.6) the units in respect of which have been allotted in the next financial year on receipt of funds by the PFM. Accordingly, the subscription received pending allotment as well as balances with bank are understated by the said amount.





Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

on the basis of these financial statements.

the aggregate, they could reasonably be expected to influence the economic decisions of users taken exists. Misstatements can arise from fraud or error and are considered material if, individually or in that an audit conducted in accordance with SAs will always detect a material misstatement when it that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee are free from material misstatement, whether due to fraud or error, and to issue an auditor's report Our objectives are to obtain reasonable assurance about whether the financial statements as a whole

Auditor's Responsibilities for the Audit of the Financial Statements

The management of the PFM are also responsible for overseeing the Scheme's financial reporting process.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

whether due to fraud or error.

of the financial statements that give a true and fair view and are free from material misstatement, accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements, that were operating effectively for ensuring the maintenance of adequate internal financial controls, that were operating effectively for ensuring the judgments and estimates that are reasonable and prudent, and design, implementation and other irregularities; selection and application of appropriate accounting policies; making and regulation for safeguarding of the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making Maintenance of adequate accounting records in accordance with the provisions of the aforesaid rules Management Agreement (IMA) executed with the NPS Trust. This responsibility also includes Pension Fund Regulatory and Development Authority (PFRDA) Guidelines and the Investment Scheme in accordance with the accounting principles generally accepted in India including the give a scheme-wise true and fair view of the financial position and financial performance of the The management of the PFM is responsible for the preparation of these financial statements that

Statements

Responsibilities of Management and Those Charged with Governance for the Financial

2. We draw attention to the note no 12.1.5 of the financial statements, which describes the non-classification of investment in Infrastructure Leasing and Financial Services Ltd. amounting Rs. 0.40 Crore included in Investments (Refer Note No.5 of financial statements) as non-performing assets and interest accrued thereon amounting Rs.0.05 Crore included in Other Current Assets (Refer Note No.7 of the financial statements) to comply with the Order received from the National Company Law Appellate Tribunal.



- As required by the Regulations, 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 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 PFDA have been maintained, so far as appears from our examination of those books.
 - d) All transaction expenses in excess of the limits (if any) contractually agreed to/approved by PFDA are borne by the Fund and are not charged to the Net Assets Value.
 - e) In our opinion the Balance sheet and Revenue Account of the Scheme dealt with by this report comply with the Regulations and the Accounting Standards notified under the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended).

Report on Other Legal and Regulatory Requirements

- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the operating effectiveness of the Fund's internal controls.
- evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Place: Mumbai
Date: June 27, 2019

Membership No. 402631
Partner



Prateet Mittal
Prateet Mittal

Firm Registration No: 009571N/N500006
Chartered Accountants
For ASA & Associates LLP

- We further certify that:
- a) Investments have been valued in accordance with the guidelines issued by PFRDA except as disclosed in note no. 1.5.6 to the financial statements. The impact of such deviation in valuation from the guidelines issued by PFRDA has not been computed by the PFM.
 - b) Transaction and claims/fees raised by different entities are in accordance with the prescribed fee.

NATIONAL PENSION SYSTEM TRUST
NPS TRUST - A/C SBI PENSION FUND SCHEME - C TIER I
BALANCE SHEET AS AT MARCH 31, 2019

As at March 31, 2019 Notes As at March 31, 2018

Liabilities		2	3	4	5	6	7	Total	
Unit Capital		5,81,75,99,952			14,70,56,50,850	43,90,000		10,32,47,84,438	15,58,09,09,416
Reserves and Surplus		4,35,12,61,816			14,70,56,50,850	43,90,000		10,32,47,84,438	15,58,09,09,416
Current Liabilities and Provisions		9,75,49,76,786	3	4	14,70,56,50,850	43,90,000	87,08,68,566	10,32,47,84,438	15,58,09,09,416
Assets									
Investments					14,70,56,50,850	43,90,000	87,08,68,566	10,32,47,84,438	15,58,09,09,416
Deposits					14,70,56,50,850	43,90,000	87,08,68,566	10,32,47,84,438	15,58,09,09,416
Other Current Assets					14,70,56,50,850	43,90,000	87,08,68,566	10,32,47,84,438	15,58,09,09,416
(a) Net assets as per Balance Sheets					15,57,25,76,738	10,77,81,31,814	43,51,26,182	15,57,25,76,738	10,77,81,31,814
(b) Number of units outstanding					15,57,25,76,738	10,77,81,31,814	43,51,26,182	15,57,25,76,738	10,77,81,31,814
Significant Accounting Policies and Notes to Accounts		1 & 12							

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

For ASA & Associates LLP
 Chartered Accountants
 Firm Registration No: 009571N/N50006
 Prateet Mittal
 Partner
 Membership No. 402631
 Date: June 27, 2019
 Place: Mumbai



For SBI PENSION FUNDS PVT. LTD.
 Kumar Sharadindu
 MD & CEO
 Date: 19 APR 2019
 Place: Mumbai

For SBI PENSION FUNDS PVT. LTD.
 Haridas K.V.
 Director
 Date: 19 APR 2019
 Place: Mumbai

For and on Behalf of NPS Trust

Ashvin Parekh
 (Chairman, NPS Trust Board)
 Date: June 27, 2019
 Place: Mumbai

Munish Malik
 (Chief Executive Officer)



**NATIONAL PENSION SYSTEM TRUST
NPS TRUST - A/C SBI PENSION FUND SCHEME - C TIER I
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2019**

Particulars	Notes	Year ended March 31, 2019	Year ended March 31, 2018
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Income			
Dividend			
Interest		99,61,67,660	66,59,47,268
Profit on sale/redemption of investments		2,16,05,905	1,38,36,322
Profit on inter-scheme transfer/sale of investments		8,71,47,369	-
Unrealized gain on appreciation in investments		-	-
Other income	10	-	-
Total Income (A)		1,10,49,20,934	67,97,83,590
Expenses and Losses			
Unrealized losses in value of investments		15,64,73,411	
Loss on sale/redemption of investments	11	4,52,86,822	16,30,957
Loss on inter-scheme transfer/sale of investments		-	-
Management fees (including service Tax)		14,67,499	10,17,966
NPS Trust fees		4,90,605	8,67,414
Custodian fees		4,51,282	2,98,369
Depository and settlement charges		71,130	49,997
CRA Fees		1,00,72,799	87,90,779
Less: Amount recoverable by sale of units on account of CRA Charges		(1,00,72,799)	(87,90,779)
Provision for Non-Performing Assets		-	-
Other Expenses		-	-
Total Expenditure (B)		4,77,67,338	16,03,38,114
Surplus/(Deficit) for the year (A-B)		1,05,71,53,596	51,94,45,476
Less: Amount transferred to/(from) Unrealised appreciation account		8,71,47,369	(15,64,73,411)
Less: Amount transferred to General Reserve		97,00,06,226	67,59,18,887
Amount carried forward to Balance Sheet		-	-

Significant Accounting Policies and Notes to Accounts 1 & 12

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

For ASA & Associates LLP
Chartered Accountants
Firm Registration No: 009571N/N500006
Partner
Prateer Mittal
Membership No. 402631
Place: Mumbai
Date: June 27, 2019

For SBI PENSION FUNDS PVT. LTD.
MD & CEO
Kumar Sharadindu
Director
Hemant N. ...
Place: Mumbai
Date: June 27, 2019

For and on Behalf of NPS Trust
Ashvin Parekh
(Chairman, NPS Trust Board)
Place: Mumbai
Date: June 27, 2019

Munish Malik
Chief Executive Officer
National Pension System Trust
New Delhi

1 Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

1.1

Background:

National Pension System Trust (NPS) has been established by Pension Fund Regulatory and Development Authority (PFRDA) as a Trust in accordance with the Indian Trusts Act, 1882 and is sponsored by Government of India. SBI Pension Fund Private Ltd (SBIPF), a Company incorporated under the Companies Act, 1956 (as amended thereon) has been appointed as the Fund Manager of the NPS vide the PFRDA Pension Fund Regulation 2015.

The key features of the Schemes presented in these financial statements are as under:-

Type and Scheme	Investment Criteria & Objective
NPS Trust A/c SBI Pension Fund Scheme C – Tier I	This asset class will be invested in top rated long term debt securities issued by Bodies Corporate/Public Financial Institutions/PSU Bonds/intra Bonds/ Development Funds and Liquid Funds to the limit of 5% of scheme corpus. Contributions of Fund by investor for retirement are non-withdrawable. The investment objective is to optimize the returns.

1.2

Central Recordkeeping Agency:

National Securities Depository Limited (NSDL) and Karvy Computershare Private Limited (Karvy) have been appointed as Central Recordkeeping Agency (CRA) for NPS Schemes who maintains the accounts of individual subscribers and CRA collects the necessary charges from these individual subscribers.

CRA's responsibilities includes:

- Recordkeeping, Administration and Customer service functions for NPS subscribers,
- Providing Unique Permanent Retirement Account Number (PRAN) to each subscriber,
- Maintaining database of all PRANs issued and recording transactions relating to each subscriber's PRAN,
- PRAN Transaction Statement,
- An operational interface between PFRDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trustee Bank etc.

CRA is responsible to resolve all queries pertaining to investors. CRA informs about the subscription and redemption to Pension Fund Managers (PFM) and also instruct Trustee Bank to credit PFM's pool account maintained with them.

1.3

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, who is responsible for providing rates for valuation, which is used by PFM for valuation of investments.

1.4

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



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1.5.1 Basis of Preparation of Financial statements:
The financial statements have been prepared to comply, in all material respects, with the generally accepted accounting policies in India. These financial statements have been prepared under the historical cost convention (as modified for investments, which are marked to market) on an accrual basis, except as otherwise stated. The significant accounting policies are in accordance with the accounting policies generally accepted in India.
The Financial Statements of the scheme have been prepared in accordance with Schedule VII of PFRDA Pension Fund Regulation 2015.

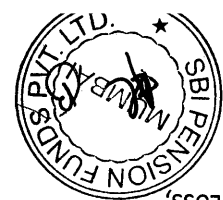
1.5.2 Use of Estimates:
The preparation of Financial Statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities as of the date of financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from those estimates and are given effect to in the year in which those are crystallized.

1.5.3 Accounting of Unit Capital:
Units are created and redeemed based on the intimation provided by Central Record Keeping Agency (CRA) which is net of charges as provided in the National Pension System offer document and the Investment Management Agreement. All the units are recorded at face value of Rs. 10/- each.

1.5.4 Unit Premium Reserve:
When units are issued or redeemed the net premium or discount to the face value is transferred to the Unit Premium Reserve.

1.5.5 Investments:
(i) The investments are undertaken as per the guidelines specified in the Investment Management agreement with respect to the individual schemes.
(ii) Purchase and sale of investments are recorded as on the trade date at cost and sale price respectively.
(iii) Rights/bonus entitlements if any are accounted on ex-right/ex-bonus date of the principal stock exchange.
(iv) The holding cost of investments is determined by the weighted average cost method and the cost does not include brokerage and other transaction charges.
(v) Valuation of investments

The investments under the schemes are marked to market and carry investments in the financial statements at market value. Unrealised Gain / Loss,



if any arising out of appreciation / depreciation in value of investments is transferred to Revenue Account.

As per the directives issued by the PFRDA the valuation of investments is carried out by the Stock Holding Corporation of India Limited (SHCIL) as centralized valuation provider appointed by NPS and provided to SBIPF on a daily basis. Any deviations from the guidelines issued by PFRDA are mentioned in point '1.5.6'.

a) Equity

- 1 Equity traded on valuation day (Actively Traded equity): Where a security is traded on any stock exchange on a particular valuation day, the last quoted closing price at which it was traded on the selected stock exchange, as the case may be, may be used (Closing prices from BSE/NSE for the day).
- 2 Equity not traded on valuation day (Thinly traded equity): When a security is not traded on any stock exchange on a particular valuation day, the last quoted closing price at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than thirty days prior to valuation date.

b) Debt Securities other than Government Securities

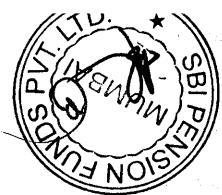
- 1 Debt securities other than Government securities with a residual maturity over 60 days are valued at weighted average traded price on that day. When such securities are not traded on a particular day, they are valued on a yield to maturity basis, by using spreads over risk free benchmark yield obtained from agencies entrusted for the said purpose, by association of mutual fund in India (AMFI) to arrive at the yield for pricing the security.
- 2 Debt securities other than Government securities with a residual maturity upto 60 days are valued at weighted average traded price on that day. When such securities are not traded on a particular day, they are valued at last valuation price plus the difference between the redemption value and last valuation spread uniformly over the remaining maturity period of the instrument. In case of floating rate securities with floors and caps on coupon rate and residual maturity of upto 60 days, then those shall be valued on amortisation basis, taking the coupon rate as floor.

c) Government Securities

- 1 Central Government securities are valued at the aggregated prices received from independent valuation agencies.
- 2 State Government securities with a residual maturity over 91 days are valued at the aggregated prices received from independent valuation agencies. State Government securities with a residual maturity upto 91 days are valued at valuation price plus the difference between the redemption value and last valuation price, spread uniformly over the remaining maturity period of the instrument.

d) Mutual Fund Units

Mutual Fund Units are valued based on the net assets values of the preceding day of



the valuation date.

1.5.6

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

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

1.5.7

Non Performing Investments:

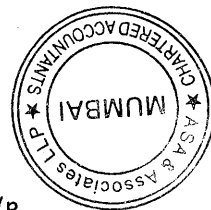
Investments are classified as non-performing based on PFRDA (Identification, Income Recognition and provisioning of NPA) Guidance Note 2013. An investment is regarded as non-performing if interest/ principal or both amounts have not been received or remained outstanding for one quarter from the day such income/instruments has fallen due. Provision are made for Non-performing investments as per the extant guidelines prescribed by PFRDA as shown below:

Period due from the date of classification of assets as NPS	% Provision on Book Value
3 Months	50%
6 Months	75%
9 Months	100%

1.5.8

Income Recognition:

a) Profit / loss on Sale of equity shares / mutual fund units are the difference between the Sale consideration net of expenses and the weighted average book cost.



- 1.5.9 **Income Taxes:**
- b) Realised gain / loss on debt securities is the difference between the Sale consideration net of expenses and the weighted average amortised cost as on the date of Sale.
 - c) Interest income is accounted on accrual basis.
 - d) Other income of a miscellaneous nature is accounted for as and when realised.
 - e) Dividend is accounted on accrual basis and recognised on the date the share is quoted on ex-dividend basis.
 - f) Income on non-performing assets (NPA) is recognized on receipt basis.
- 1.5.10 **Fees**
- a) **Investment Management Fees:**
- The Schemes have paid/provided for Investment Management Fees to the PFM for managing the Scheme and the same are recognized on an accrual basis in accordance with the terms as specified in the IMA.
- b) **NPS Trust Fees**
- The Schemes have paid/provided for NPS Trust Fees to the PFM and the same are recognized on an accrual basis in accordance with the terms as specified in the IMA.

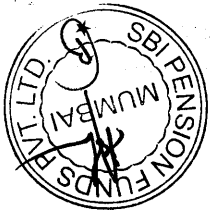
1.5.11 **Custodian Fees and Depository & Settlement Charges:**

Custodian Fees and Depository & Settlement charges are charged by Stock Holding Corporation of India Ltd (SHCIL, Custodian) in accordance with the terms specified in the IMA. The PFRDA (Preparation of Financial Statements and Auditors Report of schemes under National Pension System) PFRDA Pension Fund Regulation 2015 specify that the custodian charges should be accrued on a day to day basis.

1.5.12 **Computation of Net Asset Value:**

The NAV of the Scheme is computed by dividing Net Assets by number of units under the Scheme. Net assets are derived by deducting Gross Liabilities, Investment Management Fees and Custodian Charges as per IMA from Gross Assets.

1.5.13 The net unrealized gain or loss in the value of investments is determined separately for each category of investment. The 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.



NATIONAL PENSION SYSTEM TRUST
NPS TRUST - A/C SBI PENSION FUND SCHEME - C TIER I
NOTES ANNEXED TO AND FORMING PART OF FINANCIAL STATEMENTS

Note 2 - Unit Capital

	As at March 31, 2019	As at March 31, 2018
Outstanding at the beginning of the year	4,35,12,61,816	3,02,11,53,672
Add: Units issued during the year	1,82,57,34,501	1,60,91,93,731
Less: Units redeemed during the year	35,93,96,364	27,90,85,586
Outstanding at the end of the year	5,81,75,99,952	4,35,12,61,816
(Face Value of Rs.10/- each unit, fully paid up)		
Outstanding units at the beginning of the year	43,51,26,181.68	30,21,15,367.21
Add: Units issued during the year	18,25,73,450.12	16,09,19,373.05
Less: Units redeemed during the year	3,59,39,636.41	2,79,08,558.59
Outstanding Units at the end of the year	58,17,59,995.39	43,51,26,181.68

Note 3 - Reserve and Surplus

	As at March 31, 2019	As at March 31, 2018
Reserves and Surplus		
Unit Premium Reserve		
Opening Balance	4,57,60,43,333	2,68,36,20,924
Add: Premium on Units issued	2,81,86,05,729	2,28,90,08,877
Less: Premium on Units redeemed	54,76,52,535	39,65,86,468
Add: Transfer from General Reserve	-	-
Closing Balance	6,84,69,96,527	4,57,60,43,333
General Reserve		
Opening Balance	1,75,48,86,723	1,07,89,67,836
Add: Transfer from Revenue Account	97,00,06,226	67,59,18,887
Less: Transfer to Unit Premium Reserve	2,72,48,92,949	1,75,48,86,723
Closing Balance	97,00,06,226	67,59,18,887
Unrealised Appreciation/ (Depreciation) Account		
Opening Balance	9,59,39,942	25,24,13,353
Add: Adjustment for Previous years unrealised appreciation	8,71,47,369	-
Less: Transferred from (to) Revenue Account	18,30,87,311	(15,64,73,411)
Closing Balance	9,75,49,76,786	9,59,39,942
Total	9,75,49,76,786	6,42,68,69,998

