HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

HDFC

the value of

PRUDENCE

FORTY THIRD ANNUAL REPORT 2019-20

HDFC

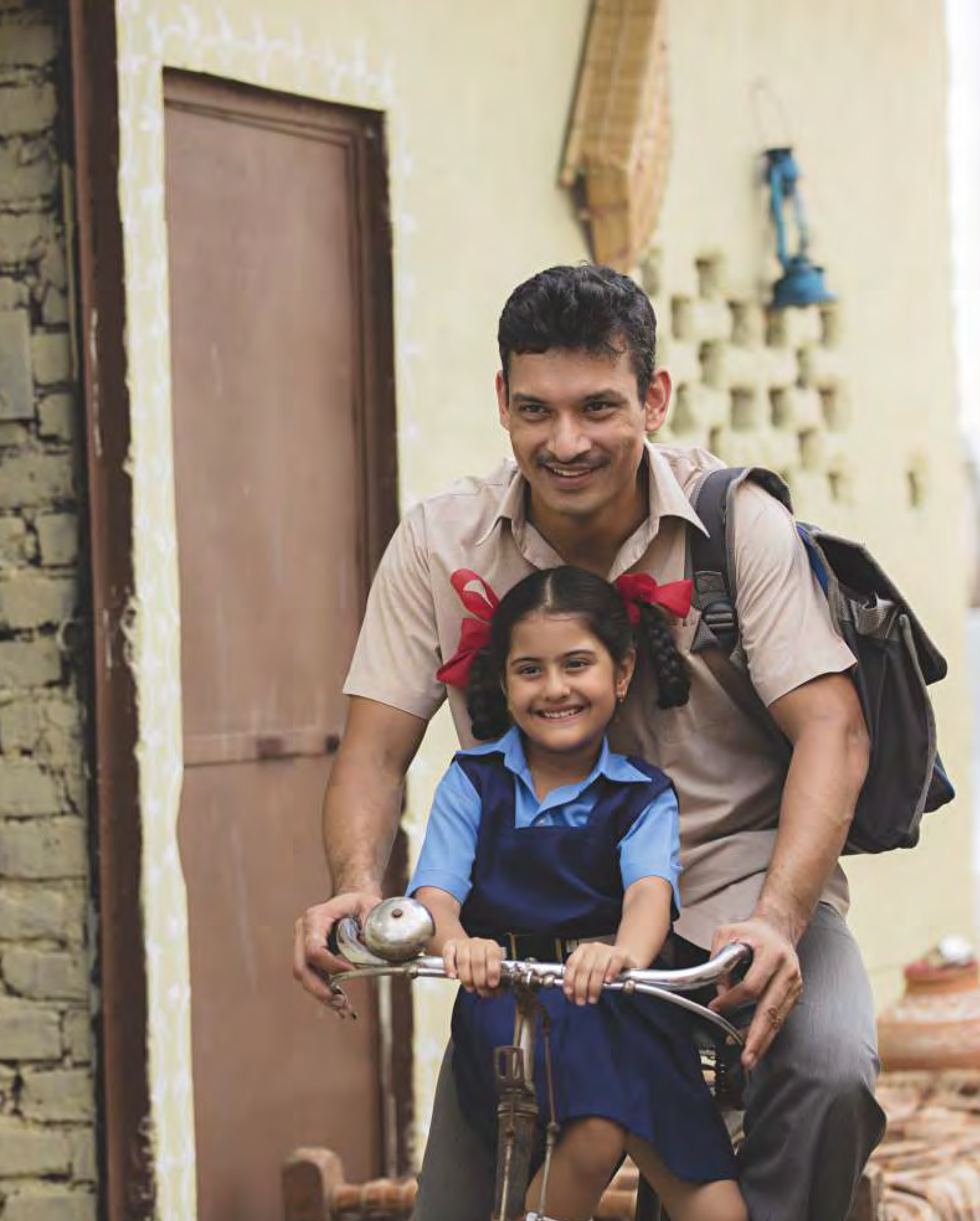
the fulfilment of DREAMS

TAKING AFFORDABILITY TO THE MASSES

Of all challenges our burgeoning population has, Affordable Housing has been a major concern. In the last few years, the Government has been trying to surmount this challenge with a host of incentives. This in turn has propelled growth especially amongst the first time home-buyers.

As an organisation, we have worked relentlessly for this cause and are proud to be one of the leading contributors in helping people in this category to own a home.

A lot remains to be done, with large sections still awaiting to avail these possibilities. We are consistently working towards ensuring the number of home-owners keeps on increasing rapidly in the years to come.



FINANCIAL HIGHLIGHTS

(₹ in Crore)

		Indian GAAP						Ind-AS		
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Gross Income	12,878	17,354	21,148	24,198	27,471	30,957	33,160	40,707	**43,378**	**58,763**
Profit After Tax	3,535	4,123	4,848	5,440	5,990	7,093	7,443	10,959[1]	**9,633**	**17,770**[3]
Shareholders' Funds	17,317	19,018	24,830	27,955	30,970	34,121	39,645	65,265	**77,355**	**86,158**
Loans from Banks and Financial Institutions	42,490	40,697	17,824	32,952	26,194	42,802	37,270	46,802	**77,548**	**1,04,909**
Market Borrowings	48,296	62,138	89,071	94,443	1,16,317	1,20,845	1,56,690	1,81,645	**1,83,067**	**1,81,869**
Deposits	24,327	36,293	51,933	56,578	66,706	74,670	86,574	91,269	**1,05,599**	**1,32,324**
Loans Under Management[2]	1,29,274	1,55,431	1,87,010	2,17,763	2,53,333	2,91,531	3,38,478	4,02,880	**4,61,913**	**5,16,773**
Loans Outstanding	1,17,127	1,40,875	1,70,046	1,97,100	2,28,181	2,59,224	2,96,472	3,62,811	**4,06,607**	**4,50,903**
Dividend (%)	450	550	625	700	750	850	900	1,000	**1,050**	**1,050**
Book Value per Share (₹)	118	129	162	179	197	216	250	389	**449**	**497**
Earnings per Share (₹)	24	28	32	35	38	44	46	67[1]	**57**	**103**[3]

[1] Includes proceeds from part stake sale in HDFC Life Insurance Company Limited.

[2] Inclusive of outstanding loans sold.

[3] Includes fair value gain consequent to merger of GRUH Finance Limited with Bandhan Bank Limited.

The Corporation has adopted Indian Accounting Standards (Ind AS) with effect from April 1, 2018.

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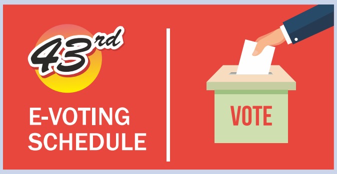
ANNUAL GENERAL MEETING

Date - **Thursday, July 30, 2020 Time: 2.30 p.m.**
Book Closure Dates - **Monday, July 13, 2020 to Thursday, July 30, 2020**
Probable Date of Payment of Dividend - **Friday, July 31, 2020**



CUT OFF DATE	START DATE	END DATE
Thursday, July 23, 2020	Monday, July 27, 2020 (10.00 a.m.)	Wednesday, July 29, 2020 (5.00 p.m.)

the impact of PERFORMANCE

STEADY IS WHAT MATTERS

Our resolve, since inception, to provide fellow-Indians the opportunity to become home-owners, has been propelling us forward.

To achieve this, we have invested the last four decades in understanding markets, developing strategies, anticipating needs and responding with products and processes which help varied socio-economic segments of the population to live their dream of buying homes as easily as possible.

At HDFC, the trust we have earned over the years has enabled us to be the perfect meeting ground for homes and potential audiences. With increasing budgets being allocated to the Pradhan Mantri Awas Yojana-Gramin and Pradhan Mantri Awas Yojana-Urban, we see a greater role for our organisation in the housing sector in the coming years.

the reach of

TECHNOLOGY

TAKE FIRM STEPS TOWARDS TOMORROW AND OPPORTUNITY MEETS YOU HALF-WAY

We never take our leading position in the market for granted. We have worked to be future-ready with attractive product features, tech-led decision protocols, and seamless integration of systems and processes to offer improved e-solutions.

Going beyond trends and concentrating on building our growth story with the essence of our founding values has been paramount as we move with the times. Our teams are constantly at work to harness digital innovations in the mobile, internet and social media space.

We have continually explored new geographies and reached out to newer audiences, while adding innovative ways of meeting the customers. Our aim is to empower our consumers to access our services from the comfort of their homes.

the vision of GROWTH

INCLUSIVENESS IS THE 'INVITATION OF A GOOD LIFE' TO ALL

With increasing population in urban areas due to better employment opportunities, the demand for a better lifestyle has also grown, which has put pressure on the cities.

Meeting the demands for other aspects of a good quality life: A higher level of education, sanitation, health care and various modern facilities has attracted many who are looking forward to the urban life – and as a consequence, fuelling further demand for housing.

Our tailored products and services at attractive pricing and the e-convenience of using our services, helps our customers in making home-buying decisions faster.

We are grateful to have earned the support of more than 7.7 million customers who have gained from our conscientious efforts.

the promise of TRUST

CHANGING WITH THE TIMES NEEDN'T MEAN LETTING GO OF WHAT'S GOOD

Exercising prudence has been a way of life at HDFC. We have developed and built upon a strong core, a business philosophy which includes sound principles, deep thinking, and continued development of processes, products and services.

Our ethics and strong fundamentals guide our judgment and aid practical decision-making, both in the present, and in the future. The values we have chosen to live by, have held us in good stead and made us the choice of customers year after year.

We have been taking initiatives for enhancing regulations, collaborating with developers, training the sales force and other channel partners, thus developing a robust and healthy ecosystem. We have also ensured, while checks and balances are in place, we serve the entire cross-section of customers from the economically weaker segments to high net-worth individuals.

We continue to forge ahead with grit and determination to make 'Housing For All by 2022' a reality.

BOARD OF DIRECTORS

Mr. Deepak S. Parekh
Chairman

Mr. Nasser Munjee

Dr. J. J. Irani

Mr. U. K. Sinha

Mr. Jalaj Dani

Dr. Bhaskar Ghosh

Ms. Ireena Vittal

Mr. V. Srinivasa Rangan
Executive Director

Ms. Renu Sud Karnad
Managing Director

Mr. Keki M. Mistry
Vice Chairman &
Chief Executive Officer

BRIEF PROFILE OF THE DIRECTORS OF THE CORPORATION

- **Mr. Deepak S. Parekh** (DIN: 00009078) is the Chairman of the Corporation and its key subsidiaries. Mr. Parekh joined the Corporation in a senior management position in 1978. He was inducted as a whole-time director of the Corporation in 1985 and subsequently appointed as the Managing Director of the Corporation (designated as 'Chairman') in 1993. He retired as the Managing Director on December 31, 2009. He was appointed as a Non-Executive Director of the Corporation with effect from January 1, 2010. He is also the Chairman of the Corporate Social Responsibility Committee of Directors. Mr. Parekh has been honoured with several awards and accolades viz. Padma Bhushan, one of the highest civilian awards by Government of India in 2006; Bundesverdienstkreuz Germany's Cross of the Order of Merit, one of the highest distinction by the Federal Republic of Germany in 2014; Knight in the Order of the Legion of Honour, one of the highest distinctions by the French Republic in 2010; first of a network of international ambassadors for championing London across the globe by the Mayor of London in 2017; first international recipient of the Outstanding Achievement Award by Institute of Chartered Accountants in England and Wales in 2010 and Lifetime Achievement Award at CNBC TV18's 15th India Business Leader Awards, 2020.

Key Skills and Competencies

Mr. Parekh is a Fellow of The Institute of Chartered Accountants in England and Wales. He is an expert in finance, accountancy, audit, treasury, mergers & acquisitions, corporate governance and risk management. He has vast experience in housing finance, real estate and the infrastructure sector.

Directorships in Other Listed Companies

- Siemens Limited - Non-Executive Chairman (Independent Director).
- HDFC Asset Management Company Limited and HDFC Life Insurance Company Limited - Non-Executive Chairman.

- **Mr. Nasser Munjee** (DIN: 00010180) joined the Corporation in 1978. He was appointed as the Executive Director of the Corporation in 1993 and was subsequently appointed as the Non-Executive Director of the Corporation in October 1997. He is the Chairman of the Risk Management Committee and a member of the Audit and Governance Committee of Directors and Nomination and Remuneration Committee of Directors. He is deeply interested in developmental and infrastructural issues. He has been consulted across the world on housing finance including Asian Development Bank, World Bank, United Nations Capital Development Fund (UNCDF) and UN-Habitat in Sri Lanka, Bhutan, Ethiopia, Thailand and Indonesia. Mr. Munjee was also on the executive committee of the International Union of Housing Finance Institution and editor of its flagship journal, Housing Finance International for five years.

Key Skills and Competencies

Mr. Munjee holds a Master's degree in Economics from the London School of Economics, UK. He is an expert in finance, accountancy, audit, economics, corporate governance, legal & regulatory compliance, risk management and strategic thinking. He has vast experience in housing, real estate and infrastructure sector.

Directorships in Other Listed Companies

- DCB Bank Limited – Non-Executive Chairman.
- Cummins India Limited, Ambuja Cements Limited, ABB India Limited and The Indian Hotels Company Limited – Independent Director.

- **Dr. J. J. Irani** (DIN: 00311104) has been a Director of the Corporation since 2008. Dr. Irani is the Chairman of the Stakeholders Relationship Committee of Directors and the Nomination and Remuneration Committee of Directors. He has been conferred with the award of Padma Bhushan in 2007 by the President of India for his services to trade and industry in India. Queen Elizabeth II conferred on him honorary Knighthood (KBE) for his contribution to Indo-British Trade and Co-operation.

Key Skills and Competencies

Dr. Irani holds a Master's degree in Science from Nagpur University. He also holds a Master's degree and is a Doctorate in Metallurgy from University of Sheffield, UK. He is an expert in finance, accountancy, audit, consumer behaviour, sales & marketing, corporate governance and strategic thinking. He has vast experience in real estate, manufacturing and finance sector.

Directorship in Other Listed Companies

Dr. Irani does not hold directorship in any other company.

- **Mr. U. K. Sinha** (DIN: 00010336) has been appointed as an Independent Director of the Corporation for a period of 5 years with effect from April 30, 2018. Mr. Sinha is a member of the Nomination and Remuneration Committee of Directors. He was the Chairman of the Securities and Exchange Board of India (SEBI) for a period of over six years between 2011 and 2017. During his stewardship, SEBI is credited with having brought in significant regulatory amendments in areas such as Takeover Code, Foreign Portfolio Investors, Alternative Investment Funds, REITs, InvITs and corporate governance. Prior to this, he was the Chairman and Managing Director at UTI Asset Management Company Private Limited from 2005 until February 2011. Preceding this, he was the Joint Secretary in Department of Economic Affairs at Ministry of Finance and looked after the Banking Division and Capital Markets Division – including external commercial borrowings, pension reforms and foreign exchange management functions. For his contribution as Chairman of SEBI, he was conferred with many awards viz. CNBC-TV18 India Business Leader Awards (IBLA) – Outstanding Contribution to Indian Business Award 2014 and Economic Times - Business Reformer of the Year Award, 2014.

Key Skills and Competencies

Mr. Sinha holds a Master's degree in Science and Bachelor's degree in Law from Patna University. He was an officer of the Indian Administrative Service. He is an expert in finance, accountancy, audit, economics, corporate governance, legal & regulatory compliance, risk management and strategic thinking. He has vast experience in mutual funds and the financial sector and also as a regulator.

Directorship in Other Listed Companies

- Vedanta Limited and Havells India Limited – Independent Director.

- **Mr. Jalaj Dani** (DIN: 00019080) has been appointed as an Independent Director of the Corporation for a period of 5 years with effect from April 30, 2018. Mr. Dani is the Chairman of the Audit and Governance Committee of Directors and a member of the Stakeholders Relationship Committee of Directors, Corporate Social Responsibility Committee of Directors and IT Strategy Committee. He is a co-promoter of Asian Paints Limited and has spent over the last two decades in various capacities with Asian Paints Limited. He is actively involved in Confederation of Indian Industry (CII), Young President's Organisation (YPO), Federation of Indian Chambers of Commerce and Industry (FICCI) and other Business Councils in various capacities. He also serves on Next Generation of Leaders Board in Indian School of Business, Hyderabad. He was identified as 'Stars 2000'-Potential Leaders in the New Millennium by Business India Magazine in the year 1998.

Key Skills and Competencies

Mr. Dani has pursued Chemical Engineering at University of Wisconsin-Madison, USA. He also did Advanced Management Program at INSEAD, Fontainebleau, Paris. He is an expert in information technology, data analytics, digital platforms, cyber security, consumer behaviour, sales & marketing, corporate governance, risk management and strategic thinking. He has vast experience in housing and real estate sector.

Directorships in Other Listed Companies

- Havells India Limited – Independent Director.
- Hitech Corporation Limited - Non-Executive Director.

- **Dr. Bhaskar Ghosh** (DIN: 06656458) has been appointed as an Independent Director of the Corporation for a period of 5 years with effect from September 27, 2018. Dr. Ghosh is the Chairman of the IT Strategy Committee and a member of the Audit and Governance Committee of Directors and Risk Management Committee. He is the Advisor to Accenture's CEO with focus on growth and investment strategy, business performance, organisational effectiveness and restructuring. In addition, he is responsible for Accenture's Industry X.0. business, which includes Digital Manufacturing and Intelligent Products and

Platform. He is a member of Accenture's Global Management Committee. Prior to the current role, he was the Group CEO of Accenture Technology Services from 2014 to February 2020 with overall responsibility for the Accenture Application and Infrastructure Services business. He was responsible for strategy, investments and acquisitions for Accenture Technology Services and in addition, leads Accenture products and platform business. He was also responsible for Advance Technology Centers for Accenture across 120 countries with more than 250 thousand plus highly skilled technology professionals. He has been awarded patents in multiple areas, including IT automation.

Key Skills and Competencies

Dr. Ghosh holds a Bachelor's degree in Science and a Master's degree in Business Administration from Calcutta University. He is also a Doctor of Philosophy in Business Administration from Utkal University. He is an expert in information technology, data analytics, digital platform, cyber security, consumer behaviour, sales & marketing, risk management and strategic thinking. He has vast experience in information technology sector.

Directorship in Other Listed Companies

Dr. Ghosh does not hold directorship in any other company.

- **Ms. Ireena Vittal** (DIN: 05195656) has been appointed as an Independent Director of the Corporation for a period of 5 years with effect from January 30, 2019. Ms. Vittal is a member of the Audit and Governance Committee of Directors and the Nomination and Remuneration Committee of Directors. She was a partner with McKinsey & Co. for 16 years where she served global companies on issues of growth and sustainable scale up. She has co-authored several studies relating to agriculture and urbanisation. She is among India's most respected consultant and advisor. She has also served government and public institutions to design and implement solutions core to India's development, such as inclusive urban development and sustainable rural growth. She is a recognised thought partner to consumer facing companies looking to build large-scale, profitable businesses in emerging markets.

Key Skills and Competencies

Ms. Vittal holds a Bachelor's degree in Science (Electronics) from Osmania University and a Post Graduate Diploma in Business Management from the Indian Institute of Management, Calcutta. She is an expert in strategy including digital, finance, marketing (consumer behaviour & insights) & sales/channel evolution and has vast experience in agriculture, urbanisation and rural sector.

Directorship in Other Listed Companies

- Godrej Consumer Products Limited, Wipro Limited and Titan Company Limited - Independent Director.

- **Mr. V. Srinivasa Rangan** (DIN: 00030248) is the Executive Director of the Corporation. Mr. Rangan joined the Corporation in 1986 and has served in Delhi Region and was the Senior General Manager – Corporate Planning & Finance function since 2001. He is the Executive Director of the Corporation since January 1, 2010. He is also the Chief Financial Officer of the Corporation and is responsible for mobilisation of funds for the Corporation, investments and asset liability management. Mr. Rangan is also a member of the Stakeholders Relationship Committee of Directors, Corporate Social Responsibility Committee of Directors and the Risk Management Committee.

Key Skills and Competencies

Mr. Rangan holds a Bachelor's degree in Commerce and is an Associate of The Institute of Chartered Accountants of India. He is an expert in finance, accountancy, audit, economics, corporate governance, legal & regulatory compliance, risk management and strategic thinking. He has vast experience in housing finance and real estate sector.

Directorship in Other Listed Companies

- Atul Limited – Independent Director.

- **Ms. Renu Sud Karnad** (DIN: 00008064) is the Managing Director of the Corporation. She joined the Corporation in 1978 and was appointed as the Executive Director of the Corporation in 2000, re-designated as the Joint Managing Director of the Corporation in October 2007. Ms. Karnad has been the Managing Director of the Corporation with effect from January 1, 2010. Ms. Karnad is a member of the Corporate Social Responsibility Committee of Directors, Risk Management Committee and IT Strategy Committee of the Corporation. Ms. Karnad is currently the President of the International Union for Housing Finance (IUHF), an association of global housing finance firms.

Key Skills and Competencies

Ms. Karnad holds a Master's degree in Economics from the University of Delhi and a Bachelor's degree in law from the University of Mumbai. She is a Parvin Fellow – Woodrow Wilson School of Public and International Affairs, Princeton University, USA. She is an expert in finance, economics, sales & marketing, human resources and risk management. She has vast experience in housing finance, real estate and infrastructure sector.

Directorships in Other Listed Companies

- GlaxoSmithKline Pharmaceuticals Limited – Non-Executive Chairperson.
- ABB India Limited - Independent Director.
- HDFC Asset Management Company Limited, HDFC Life Insurance Company Limited and HDFC Bank Limited – Non-Executive Director.
- Unitech Limited – Nominee Director (Appointed by Central Government).

▶ **Mr. Keki M. Mistry** (DIN: 00008886) is the Vice Chairman & Chief Executive Officer of the Corporation. Mr. Mistry joined the Corporation in 1981. He was appointed as the Executive Director of the Corporation in 1993, as the Deputy Managing Director in 1999 and as the Managing Director in 2000. He was re-designated as the Vice Chairman & Managing Director of the Corporation in October 2007. Mr. Mistry has been the Vice Chairman & Chief Executive Officer of the Corporation with effect from January 1, 2010. He is currently the Chairman of CII National Council on Corporate Governance and a member of Primary Markets Advisory Committee set up by the Securities and Exchange Board of India (SEBI). He was also a member of the Committee of Corporate Governance set up by the SEBI. Mr. Mistry is a member of the Corporate Social Responsibility Committee of Directors and the Risk Management Committee.

Key Skills and Competencies

Mr. Mistry is a Fellow of The Institute of Chartered Accountants of India. He is an expert in finance, accountancy, audit, economics, consumer behaviour, sales & marketing, corporate governance, risk management and strategic thinking. He has vast experience in housing finance, real estate and infrastructure sector.

Directorships in Other Listed Companies

- Torrent Power Limited and Tata Consultancy Services Limited – Independent Director.
- HDFC Asset Management Company Limited and HDFC Life Insurance Company Limited – Non-Executive Director.

BOARD COMMITTEES

AUDIT AND GOVERNANCE COMMITTEE

Mr. Jalaj Dani - Chairman
Independent Director

Mr. Nasser Munjee
Independent Director

Dr. Bhaskar Ghosh
Independent Director

Ms. Ireena Vittal
Independent Director

NOMINATION AND REMUNERATION COMMITTEE

Dr. J. J. Irani - Chairman
Independent Director

Mr. Nasser Munjee
Independent Director

Mr. U. K. Sinha
Independent Director

Ms. Ireena Vittal
Independent Director

STAKEHOLDERS RELATIONSHIP COMMITTEE

Dr. J. J. Irani - Chairman
Independent Director

Mr. Jalaj Dani
Independent Director

Mr. V. Srinivasa Rangan
Executive Director

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. Deepak S. Parekh - Chairman
Non-Executive Chairman

Mr. Jalaj Dani
Independent Director

Mr. Keki M. Mistry
Vice Chairman & Chief Executive Officer

Ms. Renu Sud Karnad
Managing Director

Mr. V. Srinivasa Rangan
Executive Director

RISK MANAGEMENT COMMITTEE

Mr. Nasser Munjee - Chairman
Independent Director

Dr. Bhaskar Ghosh
Independent Director

Mr. Keki M. Mistry
Vice Chairman & Chief Executive Officer

Ms. Renu Sud Karnad
Managing Director

Mr. V. Srinivasa Rangan
Executive Director

Mr. Conrad D'Souza
Member of Executive Management

Ms. Madhumita Ganguli
Member of Executive Management

Mr. Suresh Menon
Member of Executive Management

IT STRATEGY COMMITTEE

Dr. Bhaskar Ghosh - Chairman
Independent Director

Mr. Jalaj Dani
Independent Director

Ms. Renu Sud Karnad
Managing Director

Mr. R. Arivazhagan
Member of Executive Management

Mr. Dilip Shetty
Associate Member of Executive Management

Mr. R. Sankaranarayan
Senior General Manager (Information Technology)

Mr. Milind Marathe
Joint General Manager (Information Technology)

Mr. Sushil Bhagwat
Deputy General Manager (IT-USG - Operations)

SENIOR EXECUTIVES

MEMBERS OF EXECUTIVE MANAGEMENT

- Mr. R Arivazhagan
- Mr. Conrad D'Souza
- Ms. Madhumita Ganguli
- Mr. Mathew Joseph
- Mr. Suresh Menon
- Mr. Rajeev Sardana

ASSOCIATE MEMBER OF EXECUTIVE MANAGEMENT

- Mr. Sudhir Kumar Jha
- Mr. K Suresh Kumar
- Mr. Dilip Shetty

SENIOR GENERAL MANAGERS

- Mr. Praveen Kumar Bhalla
- Mr. Dipta Bhanu Gupta
- Mr. Vinayak R Mavinkurve
- Ms. Sonal Modi
- Mr. Subodh Salunke
- Mr. Sunil V Shaligram
- Mr. R Sankaranarayan

ADDITIONAL SENIOR GENERAL MANAGERS

- Mr. Satrajit Bhattacharya
- Mr. Ankur Gupta
- Mr. Arjun Gupta
- Mr. Sanjay Joshi
- Mr. Sujir Udayanand
- Mr. K V Vishwanathan

GENERAL MANAGERS

- Ms. Harini Anand
- Mr. Vikas Bajpai
- Mr. Pawandeep Singh Bawa
- Ms. Himani Datar
- Mr. Shalin J Desai
- Ms. Rosy Dias
- Mr. Varghese George
- Mr. Santosh Gopalkrishnan
- Ms. Trupti Nilesh Gore
- Mr. Roshan Gupta
- Mr. Rajiv Mittal
- Mr. Vinayak P Parkhi
- Mr. T Ravishankar
- Mr. Mahesh Shah
- Ms. Anjalee S Tarapore

DEBENTURE TRUSTEES

- IDBI Trusteeship Services Ltd.
  Asian Building, Ground Floor,
  17, R. Kamani Marg,
  Ballard Estate, Mumbai 400 001.
  Tel. No.: +91 22-4080 7000
  Fax No.: +91 22-6631 1776

PRINCIPAL BANKERS

- HDFC Bank Ltd.
- State Bank of India
- Axis Bank Ltd.

SECRETARIAL AUDITORS

- Vinod Kothari & Company
  Company Secretaries
- Parikh & Associates
  Company Secretaries
  (From April 1, 2020)

COMPANY SECRETARY

- Mr. Ajay Agarwal

STATUTORY AUDITORS

- B S R & Co. LLP
  Chartered Accountants

SOLICITORS AND ADVOCATES

- Wadia Ghandy & Co.
- AZB & Partners
- Argus Partners
- Shardul Amarchand Mangaldas & Co.

IN-HOUSE SHARE TRANSFER AGENT

- Investor Services Department
  5th Floor, Ramon House,
  H. T. Parekh Marg,
  169, Backbay Reclamation,
  Churchgate, Mumbai 400 020.
  Tel. No.:+91 22-6141 3900
  E-mail: investorcare@hdfc.com

REGISTERED OFFICE

- Ramon House, H. T. Parekh Marg,
  169, Backbay Reclamation,
  Churchgate, Mumbai 400 020.
  Tel. No.:+91 22-6176 6000
  CIN : L70100MH1977PLC019916
  Website:www.hdfc.com

CORPORATE OFFICE

- HDFC House, H.T. Parekh Marg,
  165-166, Backbay Reclamation,
  Churchgate, Mumbai 400 020.
  Tel. Nos.:+91 22-6631 6000,
  2282 0282

CHAIRMAN'S LETTER
TO OUR SHAREHOLDERS

Numerous thoughts have been stirring through my mind as I write to you today. It is now just over 80 days since the national lockdown was first announced in India on March 24, 2020. While restrictions on the lockdown have gradually lifted, the sense of unease has not abated. The world's focus shifted so suddenly to a future that is unpredictable, unknown and consuming in its entirety.

Never before has the global economy simultaneously seen demand and supply evaporate overnight. Millions have been rendered jobless for no fault of their own. World over, the pandemic has revealed the fragility of health systems and the lack of social safety nets. The key question is how are countries going to unwind from the *'HHEF crisis'*, which is a health, humanitarian, economic and financial crisis that has morphed into each other?

The lockdown has reinforced the value of the essentials of life – food, clothing, shelter and now, the internet. There can be no better security in life than a home. More than ever before, people will want their own homes. People will go to any length to hold on to their homes. HDFC is in the right business and we have done business the right way. There may be lags in terms of healing time, but we remain confident that the inherent demand for housing is intact.

For individual loans, growth was on track during the year under review. We pursued our strategy of focusing on the affordable housing segment. We continued to support the government's flagship housing programme, the Credit Linked Subsidy Scheme (CLSS), which focuses on low and middle-income home loan borrowers. HDFC retained its position of having the largest number of beneficiaries under CLSS, with cumulative disbursements to nearly 2 lac customers under the scheme. To my mind, the financial inclusion bank accounts, digital payment platforms and the CLSS are three standout examples of successful partnerships between the government and financial sector entities in India. Much can be achieved with strong intent, well designed platforms, good execution and a consultative approach to identify solutions.

In good times as also in unsettling ones, the greatest solace for any institution is its core values. Honesty, transparency and integrity has always held us in good stead. Being honest with our stakeholders means we will not sugar-coat the truth. Transparency is owing up to mistakes we made and integrity is about shunning short-cuts and doing what is right not just for ourselves, but for other stakeholders as well. Over the years, companies within the HDFC group have steered through many crises, both global and local. Each time, it has been our ethics and values that has helped us surmount and emerge stronger.

While we delivered a good performance in FY20, it was by no means an easy year. Risk averseness in lending heightened, further choking credit where it was needed the most. With our non-individual loans, we consciously took a stance to prioritise asset quality over growth. This was a decision that worked well for us. We resolved a few accounts by leveraging our existing relationships, including finding stronger partners for our borrowers. We had our share of disappointments too. These pertained to certain long-standing relationships we thought we were confident about. When hardships fell upon them, the legal system overrode our recovery efforts. Through this, we have learnt to be patient as we have to respect the system. We know these loans did not constitute imprudent lending as we have more than adequate security backing them and we have always, as a policy ensured prudent provisioning. Yet, as we hold the trust of our stakeholders, we have to have the humility to own up to judgement calls that did not work as expected. That said, our recovery efforts shall continue unabated. In the most trying times, recent resolutions in our favour have been encouraging, sparking hope of a changing tide.

The lockdown has reinforced the value of the essentials of life – food, clothing, shelter and now, the internet. There can be no better security in life than a home. More than ever before, people will want their own homes. People will go to any length to hold on to their homes. HDFC is in the right business and we have done business the right way.

We know our position is considerably stronger than most of our peers. We kept building buffers and erred on the side of abundant caution on provisioning requirements. Each time we did this, it was always from a position of strength. This prudence gives comfort to our investors.

We are now emerging into a scenario where there may be inorganic opportunities for our group companies. Some of our subsidiary companies will need additional capital for their expansion plans. We have also identified new investment opportunities that will help build the next generation of value creators for HDFC.To support this, we are putting in place a roadmap for our future capital requirements.

The Reserve Bank of India (RBI) has been at the forefront, shouldering a huge burden to maintain financial stability. The saga of the highest court of law questioning the RBI on the moratorium was indeed unfortunate. Why should a central bank have to be answerable to a court on basic principles which the financial sector operates on? Interest payments on borrowings and loans are contractual obligations. No laws are being violated. At this juncture, all efforts must be channelled towards economic recovery rather than getting into legal wrangles. These issues must be resolved smoothly and I remain hopeful that the authorities will find solutions to safeguard its stakeholders.

The woes of the Indian economy predate the pandemic. Given the immense constraints on fiscal finances, solutions have to be found which do not impinge on the limited resources of the government. The government has rightly recognised the benefits of encouraging housing. The construction sector is important as it is the second largest employment generator and has multiplier effects through its extensive backward and forward linkages with other industries. A few policy changes will go a long way in supporting housing and housing finance going forward.

First, is a call for a level playing field for external commercial borrowings (ECBs). Today, non-banking financial companies can access the ECB market for any of their lending business. Housing finance companies on the other hand, can only raise ECBs under a very confined definition of affordable housing, wherein the housing project must have at least 50% of the floor space index for dwelling units with a carpet area not exceeding 60 square metres. In short, a standalone home of 60 square metres would not qualify. This definition is at odds with the government's overall objective of enabling more individuals to become homeowners.

Recognising this hurdle, in September 2019, the honourable finance minister made an announcement that ECB guidelines would be relaxed to facilitate the financing of home buyers who are eligible under the Pradhan Mantri Awas Yojana, the government's Housing for All scheme. One sincerely hopes the finance ministry along with the RBI will expedite this to enable the raising of long-term resources from a diversified borrower base. With global interest rates being so low, there is an opportunity to raise large resources for affordable housing. The RBI has always had the necessary checks and balances on entities it deems fit to raise ECBs, so this should not warrant any regulatory concern.

Second, the RBI should permit a one-time restructuring for real estate loans. This has been a long standing request and a measure implemented in the past to revive the sector. If developers do not have cashflows due to a slowdown in sales or delay in receiving requisite building approvals, they can neither complete the existing projects nor can they service their loans. Even if a lender is willing to help the project stay viable, any modification in the terms of the loan, including additional funding is construed to be a non-performing loan under the current regulatory norms. Allowing for a restructuring of these loans and categorising them as standard assets will facilitate last mile funding for these projects.

These are unusual times and a pragmatic approach is needed to resolve the financial stress in the real estate sector, without bail-out packages. Allowing the problem to fester, may result in a rise in non-performing loans, which in turn will weaken the overall financial sector. It is important to recognise that unlike other loans, the underlying value of the land is always there as security. Further, to repair the sector, real estate prices have to be realistic to reflect current market realities. This would help developers offload their unsold inventory and improve their cashflows. Simultaneously, there is a need for realignment of ready reckoner rates as well.

Third, is the need to amend regulations so as to facilitate end-to-end execution of mortgages online. Currently, loans are being approved online, but disbursements cannot happen as e-signatures on mortgage documents or agreements pertaining to immovable properties are excluded from the purview of the Information Technology Act, 2000. With the immense thrust on technology in the financial sector, this amendment can easily be facilitated through an ordinance. This would go a long way in reducing timelines for home loan disbursements and bring in cost efficiencies.

None of these solutions can work unless there is a concerted and co-ordinated effort on the part of financiers, developers and central and state governments. The country is just beginning to recover from one of the longest and strictest lockdowns across major economies. India's sheer numbers means domestic demand has to revive. The challenges are daunting, but I remain confident that India will display its resilience.

To conclude, the future may look unsettling, but it is also a time when stronger institutions stand out. We see multiple roles for ourselves in this environment. We will work to build back demand, seek new ways of doing business, be a white knight where needed, but most importantly, we will stay compassionate, empathetic and kind with our people, stakeholders and communities. We feel a sense of unusual optimism which keeps us going and we stand privileged to have shareholders who have and continue to believe in the HDFC story.

I hope when I write to you next year, we would have put this period well behind us.

Directors' Report

TO THE MEMBERS

Your directors are pleased to present the forty-third annual report of your Corporation with the audited accounts for the year ended March 31, 2020.

Financial Results	**For the year ended March 31, 2020** (₹ in crore)	For the year ended March 31, 2019 (₹ in crore)
Profit Before Fair Value Changes, Dividend, Sale of Investments and Provision for Expected Credit Loss	**12,540.55**	**11,158.67**
Net Gain/(Loss) on Fair Value Changes	99.23	552.11
Fair Value Gain consequent to merger of GRUH Finance Limited with Bandhan Bank Limited	9,019.81	-
Dividend	1,080.68	1,130.64
Profit on Sale of Investments	3,523.75	1,212.35
Impairment on Financial Instruments (Expected Credit Loss)	(5,913.10)	**(935.00)**
Profit Before Tax	**20,350.92**	**13,118.77**
Tax Expense	2,581.27	3,486.31
Net Profit After Tax	**17,769.65**	**9,632.46**
Other Comprehensive Income	(6,652.31)	(131.53)
Total Comprehensive Income	**11,117.34**	**9,500.93**
Retained Earnings		
Opening Balance	11,635.24	7,929.24
Profit for the year	17,769.65	9,632.46
Re-measurement of Defined Benefit Plan	(31.99)	(11.94)
Amount Available for Appropriations	**29,372.90**	**17,549.76**
Appropriations:		
Special Reserve No. II	3,400.00	1,850.00
General Reserve	8,034.60	-
Statutory Reserve (Under Section 29C of the National Housing Bank Act, 1987)	200.00	100.00
Interim Dividend & Tax on Interim Dividend	-	616.70
Final Dividend & Tax pertaining to the previous year paid during the year	3,600.63	3,347.82
Closing Balance Carried Forward	**14,137.67**	**11,635.24**

Dividend

No interim dividend was declared by the Corporation during the year ended March 31, 2020 compared to an interim dividend of ₹ 3.50 per equity share of face value of ₹ 2 each in the previous financial year.

The Board of Directors has assessed the performance of the Corporation during the year under review. The board also took cognisance of the impact of the coronavirus disease (COVID-19) being declared as a pandemic. There remains a great deal of uncertainty of its impact on the global economy, financial markets, lives and livelihoods and the resultant impact on the Corporation as well.

Based on the performance of the Corporation during the year under review, the Board of Directors recognised the need to strike a balance between being prudent and conserving capital in the Corporation, whilst also meeting expectations of shareholders. The board after assessing the capital buffers and liquidity levels of the Corporation recommended a final dividend of ₹ 21 per equity share of ₹ 2 each compared to ₹ 17.50 per equity share in the previous year.

Thus, the total dividend recommended is ₹ 21 per equity share which is the same as the previous year.

The dividend pay-out ratio for the year ended March 31, 2020 is 20.5%.

Following the amendment in the Finance Act, 2020, the imposition of the Dividend Distribution Tax has been abolished. The dividend recommended for the financial year ended March 31, 2020 will be taxable in the hands of the shareholders of the Corporation. For further details, shareholders are requested to refer the 'Shareholders' Information' section provided elsewhere in the annual report.

The dividend recommended is in accordance with the principles and criteria as set out in the Dividend Distribution Policy which has been approved by the Board of Directors. The Dividend Distribution Policy is published elsewhere in the annual report and is also placed on the Corporation's website.

Management Discussion and Analysis Report, Report of the Directors on Corporate Governance and Business Responsibility Report

In accordance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) and directions issued by the National Housing Bank (NHB), the Management Discussion and Analysis Report (MD&A) and the Report of the Directors on Corporate Governance form part of this report.

In accordance with the Listing Regulations, the Business Responsibility Report (BRR) has been placed on the Corporation's website. The policy on Business Responsibility is also placed on the Corporation's website.

Lending Operations

The Corporation is a housing finance company registered with NHB and is engaged in financing the purchase and construction of residential houses, real estate and certain other purposes in India. All other activities of the Corporation revolve around the main business.

Given the prolonged uncertainty and heightened risk averseness in the lending environment for non-individual loans, the Corporation continued to be prudent by curtailing some of its lending to the non-individual segment. During the latter half of March 2020, overall lending operations were disrupted due to the national lockdown announced in a bid to curtail the spread of COVID-19. These factors impacted the overall performance of the loan book.

The Assets Under Management (AUM) as at March 31, 2020 amounted to ₹ 5,16,773 crore as compared to ₹ 4,61,913 crore in the previous year.

On an AUM basis, the growth in the individual loan book was 14%. The growth in the total loan book on an AUM basis was 12%.

The Corporation's outstanding loan book stood at ₹ 4,50,903 crore as at March 31, 2020, compared to ₹ 4,06,607 crore in the previous year.

During the year, the Corporation assigned loans amounting to ₹ 24,127 crore compared to ₹ 25,150 crore in the previous year.

As at March 31, 2020, the outstanding amount in respect of individual loans sold was ₹ 65,695 crore. The Corporation continues to service these loans.

Further details of lending operations are provided in the MD&A.

Market Borrowings

The Corporation is in compliance with the provisions of the Housing Finance Companies issuance of Non-Convertible Debentures on private placement basis (NHB) Directions, 2014 and has been regular in payment of principal and interest on the non-convertible debentures.

Details of market borrowings are provided in the MD&A and notes to Accounts.

Deposits

Deposits outstanding as at March 31, 2020 amounted to ₹ 1,32,324 crore as compared to ₹ 1,05,599 crore in the previous year – a growth rate of 25%.

CRISIL and ICRA have for the twenty-fifth consecutive year, reaffirmed their 'CRISIL FAAA/Stable' and 'ICRA MAAA/Stable' ratings respectively for HDFC's deposits. These ratings represent the highest degree of safety regarding timely servicing of financial obligations.

There has been no default in repayment of deposits or payment of interest during the year. All the deposits accepted by the Corporation are in compliance with the requirements of Housing Finance Companies (NHB) Directions, 2010 and other directions/guidelines prescribed by NHB regarding deposit acceptance.

As of March 31, 2020, public deposits amounting to ₹ 1,477 crore had not been claimed by 62,600 depositors. Since then, 12,188 depositors have claimed or renewed deposits of ₹ 384 crore. These numbers, however, have to be viewed in light of the pandemic and national lockdown announced in March 2020. Thus, the numbers pertaining to unclaimed deposits are not comparable with that of the previous year.

Depositors were intimated regarding the maturity of deposits with a request to either renew or claim their deposits. Where the deposit remains unclaimed, reminder letters are sent to depositors periodically and follow up action is initiated through the concerned agent or branch.

Deposits remaining unclaimed for a period of seven years from the date they became due for payment have to be transferred to the Investor Education and Protection Fund (IEPF) established by the central government. The concerned depositor can claim the deposit from the IEPF. During the year, an amount of ₹ 1.86 crore was transferred to the IEPF.

Capital Adequacy Ratio

The Corporation's capital adequacy ratio (CAR) stood at 17.6%, of which Tier I capital was 16.5% and Tier II capital was 1.1%. The investment in HDFC Bank has been considered as a deduction in the computation of Tier I capital.

During the year, the National Housing Bank amended the capital adequacy requirements for Housing Finance Companies (HFCs). Accordingly, the minimum stipulated capital adequacy ratio for the year ended March 31, 2020 was increased from 12% to 13% and the minimum Tier I capital was increased from 6% to 10%.

In addition, NHB has also stipulated that the minimum capital adequacy ratio for HFCs would increase to 14% on or before March 31, 2021 and 15% on or before March 31, 2022.

Regulatory Guidelines

Following the amendment in the Finance Act, 2019 and the subsequent notification by the Reserve Bank of India (RBI) in August 2019, HFCs would be treated as one of the categories of non-banking financial companies (NBFCs) for regulatory purposes and accordingly would come under RBI's direct oversight. NHB would continue to carry out supervision of HFCs.

The Corporation has complied with the Housing Finance Companies (NHB) Directions, 2010 and other directions/guidelines prescribed by NHB regarding deposit acceptance, accounting standards, prudential norms, capital adequacy, credit rating, corporate governance, information technology framework, fraud monitoring, concentration of investments, risk management, capital market exposure norms and know your customer and anti-money laundering.

Corporate Social Responsibility (CSR)

During the year, the Corporation's CSR activities focused on three key sectors – healthcare, education and skilling and livelihoods. As these sectors are wide-ranging, the Corporation prioritised key sub-thematic areas within each of these sectors to ensure that the CSR interventions were targeted most optimally. The Corporation also supported projects relating to community development, environment and sports. The Corporation contributed directly and through the H T Parekh Foundation to the identified social sectors.

The HDFC group together committed ₹ 150 crore to the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM–CARES Fund) to support the Indian government's efforts in managing the health crisis caused by the COVID-19 pandemic. Of this, the Corporation's contribution was ₹ 60 crore.

During the national lockdown, the H T Parekh Foundation intensified its efforts to further reach vulnerable communities across various states in India. The foundation increased its reach to support 22 partners across 12 states, with either cooked meals or monthly ration kits or hygiene safety kits for the police force. As of date, the foundation has touched over 1.2 lac individuals through the provision of food ration kits and supported approximately 7.7 lac cooked meals during the lockdown. Over 1 lac personal protection equipment (PPE) kits, 70,000 masks and some ventilators have been distributed to state governments of Maharashtra, Delhi and Gujarat and charitable hospitals treating COVID-19 patients.

Accordingly, a total of ₹ 77 crore has been provided towards COVID-19 relief across healthcare, community outreach and contribution to PM-CARES Fund.

Further details on the prescribed CSR spend under Section 135 of the Companies Act, 2013 and the amount committed and disbursed during the year under review are provided in the Annual Report on CSR activities annexed to this report.

Subsidiary and Associate Companies

In accordance with the provisions of Section 136 of the Companies Act, 2013, the annual report of the Corporation, the annual financial statements and the related documents of the Corporation's subsidiary companies are placed on the website of the Corporation.

Shareholders may download the annual financial statements and detailed information on the subsidiary companies from the Corporation's website or may write to the Corporation for the same. Further, the documents shall also be available for inspection by the shareholders at the registered office of the Corporation.

As at April 1, 2019, the Corporation held 56.1% of the share capital of GRUH Finance Limited (GRUH) and thus was a subsidiary of the

Corporation. The Corporation had in its directors' report for FY19 disclosed that the board of directors of GRUH and Bandhan Bank Limited (Bandhan) had approved a scheme of amalgamation for the merger of GRUH into and with Bandhan and that the share exchange ratio was 568 equity shares of face value ₹ 10 each of Bandhan for every 1,000 fully paid-up equity shares of face value ₹ 2 each of GRUH.

In April 2019, the Reserve Bank of India granted its approval to the Corporation to acquire and hold up to 9.9% of the paid-up voting equity capital of Bandhan, upon the effective date of the scheme.

Accordingly, between May and August 2019, the Corporation sold such number of shares of GRUH in the open market so as to ensure that the Corporation was entitled to only 9.9% of the post merger paid-up capital of Bandhan, considering the share exchange ratio. Accordingly, GRUH ceased to be a subsidiary and became an associate company of the Corporation.

In October 2019, subsequent to the receipt of approval of shareholders and creditors of GRUH and Bandhan, the National Company Law Tribunal granted its approval for the merger of GRUH with Bandhan. In accordance with the share exchange ratio, the Corporation acquired 15,93,63,149 equity shares of ₹ 10 each, representing 9.9% of the total share capital of Bandhan.

In December 2019, the Corporation acquired 1,14,70,000 equity shares of face value of ₹ 10 each representing 9.12% of the equity share capital on a fully diluted basis of HDFC Credila Financial Services Private Limited (HDFC Credila) from the other promoters of the company. Pursuant to the acquisition, HDFC Credila became a wholly-owned subsidiary of the Corporation.

During the year, the Corporation acquired 20,75,15,521 equity shares of HDFC ERGO Health Insurance Limited (HDFC ERGO Health), formerly Apollo Munich Health Insurance Company Limited, representing 51.16% of its equity share capital. Consequently, HDFC ERGO Health became a subsidiary of the Corporation. HDFC ERGO Health is licensed as a general insurer and specialises in health insurance in India.

On January 9, 2020, the Board of Directors of HDFC ERGO Health and HDFC ERGO General Insurance Company Limited (HDFC ERGO) approved a scheme of arrangement and amalgamation for the merger of HDFC ERGO Health with and into HDFC ERGO. As per the scheme, the approved share exchange ratio is 100 equity shares of face value of ₹ 10 each of HDFC ERGO for every 385 equity shares of face value of ₹ 10 each of HDFC ERGO Health. The application for the proposed merger has been filed by HDFC ERGO Health and HDFC ERGO with the National Company Law Tribunal, Mumbai.

In May 2020, the RBI directed the Corporation to reduce its shareholding in its insurance companies to 50% or below.

Based on the shareholding of the Corporation in HDFC ERGO and taking into consideration the share exchange ratio (for the merger of HDFC ERGO with HDFC ERGO Health), the Corporation is entitled to 50.58% stake in the merged entity (i.e. HDFC ERGO). RBI has directed the Corporation to bring down its shareholding in the merged entity to 50% or below within a period of 6 months from the effective date of the merger.

RBI has also directed the Corporation to bring down its shareholding in HDFC Life Insurance Company Limited (HDFC Life) to 50% or below on or before December 16, 2020. The Corporation holds 51.43% of the paid-up share capital of HDFC Life as on the date of this report.

As HDFC Life and HDFC ERGO are material subsidiaries of the Corporation in terms of the Listing Regulations, necessary resolutions seeking approval of the members of the Corporation to reduce its shareholding in the said companies have been included in the notice convening the ensuing Annual General Meeting (AGM).

The Corporation has not made any loans or advances in the nature of loans to any of its subsidiary or associate company or companies in which its directors are deemed to be interested, other than in the ordinary course of business.

The Corporation is in compliance with the provisions of Foreign Exchange Management Act, 1999 with respect to downstream investments made in/by its subsidiaries and in other companies during the year. Further, as required by the RBI Master Direction – Foreign Investments in India, the Corporation has obtained a certificate from statutory auditors on the same.

A review of the key subsidiary and associate companies of the Corporation is included in the MD&A which forms part of this report. Further, a statement containing salient features of Financial Statements of the subsidiaries and associates of the Corporation in the prescribed Form No. AOC-1 is provided elsewhere in this annual report.

Particulars of Employees

HDFC had 3,095 employees as of March 31, 2020. During the year, 14 employees employed throughout the year were in receipt of remuneration of ₹ 1.02 crore or more per annum and 2 employees employed for the part of the year were in receipt of remuneration of ₹ 8.5 lac or more per month.

In accordance with the provisions of Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the names and particulars of the top ten employees in terms of remuneration drawn and of the aforesaid employees are set out in the annex to the directors' report. In terms of the provisions of Section 136(1) of the Companies Act, 2013 read with the rule, the directors' report is being sent to all shareholders of the Corporation excluding the annex. Any shareholder interested in obtaining a copy of the annex may write to the Corporation.

Further disclosures on managerial remuneration are annexed to this report.

Prevention, Prohibition and Redressal of Sexual Harassment of Women at the Workplace

The Corporation has a policy on prevention, prohibition and redressal of sexual harassment of women at the workplace and has an Internal Complaints Committee (ICC) in compliance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Corporation's policy on the same is placed on the Corporation's website. The ICC comprises majority of women members. Members of the Corporation's ICC are responsible for conducting inquiries pertaining to such complaints.

The Corporation on a regular basis sensitises its employees, including outsourced employees on the prevention of sexual harassment at the workplace through workshops, group meetings, online training modules and awareness programmes which are held on a regular basis. The Corporation also conducted a special training programme for the members of the ICC. During the year, two complaints were received by the ICC. The cases were reviewed and disposed of and thus there were no pending complaints with the ICC as at March 31, 2020.

Particulars of Loans, Guarantees or Investments

Since the Corporation is a housing finance company, the disclosures regarding particulars of the loans given, guarantees given and security provided is exempt under the provisions of Section 186(11) of the Companies Act, 2013.

As regards investments made by the Corporation, the details of the same are provided in notes to the financial statements of the Corporation for the year ended March 31, 2020 (note 10).

Particulars of Contracts or Arrangements with Related Parties

The particulars of contracts or arrangements with related parties as prescribed in Form No. AOC–2 of the Companies (Accounts) Rules, 2014, is annexed to this report. Details of related party transactions are given in the notes to the financial statements.

The policy on Related Party Transactions of the Corporation ensures proper approval and reporting of the concerned transactions between the Corporation and its related parties.

The policy on Related Party Transactions is published elsewhere in the annual report and is also placed on the Corporation's website.

Particulars regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

During the year ended March 31, 2020, earnings in foreign currency stood at ₹ 4 crore and expenditure in foreign currency stood at ₹ 1,205 crore.

The Corporation is in the business of housing finance and hence its operations are not energy intensive. The Corporation is cognisant of the importance of imbibing measures towards optimum energy utilisation and conservation.

Employees Stock Option Scheme (ESOS)

Presently, stock options granted to the employees operate under the following schemes - ESOS-07, ESOS-08, ESOS-11, ESOS-14 and ESOS-17. There has been no variation in the terms of the options granted under any of these schemes and all the schemes are in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014.

The disclosures as required under the regulations have been placed on the website of the Corporation.

Unclaimed Dividend and Shares

As at March 31, 2020, dividend amounting to ₹ 24.60 crore had not been claimed by shareholders of the Corporation. The Corporation takes various initiatives to reduce the quantum of unclaimed dividend and has been periodically intimating the concerned shareholders, requesting them to encash their dividend before it becomes due for transfer to the Investor Education and Protection Fund (IEPF).

Unclaimed dividend amounting to ₹ 2.05 crore for FY 2011-12 was transferred to the IEPF on September 5, 2019. Further, in compliance with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 as amended, the Corporation transferred 77,370 equity shares of ₹ 2 each (corresponding to the dividend for the FY 2011-12 and remaining unclaimed for a continuous period of 7 years) in favour of the IEPF. However, the concerned shareholders may claim the unclaimed dividend and unclaimed shares from IEPF, the procedure for which is detailed in the Shareholders' Information section.

The unclaimed dividend in respect of FY 2012-13 must be claimed by shareholders on or before August 19, 2020, failing which the Corporation would be required to transfer the unclaimed dividend and the corresponding shares to the IEPF within a period of 30 days from the said date.

Directors

The board at its meeting held on December 17, 2019, approved the re-appointment of Ms. Renu Sud Karnad as the Managing Director of the Corporation with effect from January 1, 2020 up to September 2, 2022. The board at the said meeting also approved the re-appointment of Mr. V. Srinivasa Rangan as the whole-time director of the Corporation (designated as 'Executive Director') for a period of 5 years with effect from January 1, 2020. Both the re-appointments are subject to the approval of members of the Corporation at the ensuing AGM. The Managing Director and Executive Director of the Corporation will be liable to retire by rotation.

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Corporation, Ms. Renu Sud Karnad is liable to retire by rotation at the ensuing AGM. She is eligible for re-appointment.

The necessary resolutions for the re-appointment of the directors and their brief profiles have been included in the notice convening the ensuing AGM.

All the directors of the Corporation have confirmed that they satisfy the fit and proper criteria as prescribed under the applicable regulations and that they are not disqualified from being appointed as directors in terms of Section 164(2) of the Companies Act, 2013.

The details on the number of board/ committee meetings held are provided in the Report of the Directors on Corporate Governance, which forms part of this report.

Auditors

At the 40th AGM of the Corporation, the members had appointed Messrs B S R & Co. LLP, chartered accountants, (firm registration number 101248W/ W-100022) as the statutory auditors for a term of 5 consecutive years and to hold office until the conclusion of the 45th AGM.

Messrs B S R & Co. LLP, chartered accountants, is a leading firm of chartered accountants and adheres to high professional standards and benchmarks. The firm has several experienced partners on a pan-India basis. They have confirmed to the Corporation that they continue to satisfy the eligibility criteria as mentioned in Section 141 of the Companies Act, 2013.

The auditors' report annexed to the financial statements for the year under review does not contain any qualifications.

During the year, Messrs B S R & Co. LLP, chartered accountants and all entities in the network firm of which the statutory auditor is a part received a total remuneration of ₹ 6.6 crore from the Corporation and its certain subsidiaries. The remuneration pertains to fees for audit, internal financial control reporting, limited reviews, tax audits and taxation services, certifications and other matters and reimbursement of expenses. The details of remuneration paid by the Corporation to Messrs B S R & Co. LLP, chartered accountants is provided in note 39 to the financial statements. The non-audit fees paid to the statutory auditors by the Corporation does not exceed the audit fees.

Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Messrs Vinod Kothari & Company, practicing company secretaries undertook the secretarial audit of the Corporation for the financial year 2019-20. The Secretarial Audit Report is annexed to this report and does not contain any qualifications.

The Secretarial Compliance Report as prescribed by SEBI is provided elsewhere in the annual report.

Further, Messrs Vinod Kothari & Company, practicing company secretaries had completed five years as Secretarial Auditors of the Corporation. Accordingly, in order to rotate the secretarial auditors, the Board of Directors of the Corporation at its meeting held on May 25, 2020, appointed Messrs Parikh & Associates, practicing company secretaries as the secretarial auditors to undertake the secretarial audit of the Corporation for the financial year 2020-21.

Significant and Material Orders Passed by Regulators

During the year, there were no significant or material orders passed by the regulators or courts or tribunals against the Corporation.

In March 2020, NHB imposed a monetary penalty of ₹ 85,000 on the Corporation for non-compliance with two provisions of the Housing Finance Companies (NHB) Directors, 2010 pertaining to the financial year 2017-18. The Corporation paid the penalty, made the disclosure to the stock exchanges, but has not had the opportunity to present its stance to the regulator owing to the national lockdown. The Corporation maintains that this is not significant or material in nature.

Directors' Responsibility Statement

In accordance with the provisions of Section 134(3)(c) of the Companies Act, 2013 and based on the information provided by the management, your directors state that:

a) In the preparation of annual accounts, the applicable accounting standards have been followed;

b) Accounting policies selected have been applied consistently. Reasonable and prudent judgements and estimates have been made so as to give a true and fair view of the state of affairs of the Corporation as at March 31, 2020 and of the profit of the Corporation for the year ended on that date;

c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Corporation and for preventing and detecting frauds and other irregularities;

d) The annual accounts of the Corporation have been prepared on a going concern basis;

e) Internal financial controls have been laid down to be followed by the Corporation and such internal financial controls are adequate and operating effectively; and

f) Systems to ensure compliance with the provisions of all applicable laws are in place and were adequate and operating effectively.

Internal Financial Control

The Corporation has put in place adequate policies and procedures to ensure that the system of internal financial control is commensurate with the size and nature of the Corporation's business. These systems provide a reasonable assurance in respect of providing financial and operational information, complying with applicable statutes, safeguarding of assets of the Corporation, prevention and detection of frauds, accuracy and completeness of accounting records and ensuring compliance with corporate policies.

Extract of Annual Return – Form No. MGT-9

The details forming part of the extract of the annual return in Form No. MGT-9 is annexed to this report. The annual return for the financial year 2019-20 is uploaded on the website of the Corporation.

Material changes and commitment, if any, affecting the financial position of the Corporation from the financial year end till the date of this report

There are no material changes and commitments affecting the financial position of the Corporation which have occurred after March 31, 2020 till the date of this report.

Acknowledgements

The directors place on record their gratitude for the support of various regulatory authorities including National Housing Bank, Reserve Bank of India, Securities and Exchange Board of India, Pension Fund Regulatory and Development Authority, Ministry of Housing and Urban Affairs, Ministry of Corporate Affairs, Registrar of Companies, Financial Intelligence Unit (India), the stock exchanges and the depositories.

The Corporation acknowledges the role of all its key stakeholders - shareholders, borrowers, channel partners, depositors, deposit agents

and lenders for their continued support to the Corporation.

Your directors place on record their appreciation for the hard work and dedication of all the employees of the Corporation and appreciates all its subsidiary and associate companies for their consistent support and co-operation to the Corporation.

Last and most importantly, your directors remain extremely grateful to all the medical professionals and first hand responders who are working tirelessly to save lives and contain the spread of the pandemic.

On behalf of the Board of Directors

MUMBAI
May 25, 2020

DEEPAK S. PAREKH
Chairman

Annex to Directors' Report - 1

DISCLOSURES ON MANAGERIAL REMUNERATION

Details of remuneration as required under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided below:

Ratio of remuneration of each director to the median employees' remuneration for FY 2020

Name	Designation	Ratio of remuneration to the median employees' remuneration
Mr. Deepak S. Parekh	Chairman	20
Mr. Nasser Munjee	Independent Director	4
Dr. J. J. Irani	Independent Director	4
Mr. U. K. Sinha	Independent Director	4
Mr. Jalaj Dani	Independent Director	4
Dr. Bhaskar Ghosh	Independent Director	4
Ms. Ireena Vittal	Independent Director	4
Mr. V. Srinivasa Rangan	Executive Director	82
Ms. Renu Sud Karnad	Managing Director	114
Mr. Keki M. Mistry	Vice Chairman & CEO	127

Percentage increase in the remuneration of each director and key managerial personnel in FY 2020

Key Managerial Personnel

Name	Designation	Increase in Remuneration# (%)
Mr. Keki M. Mistry	Vice Chairman & CEO	6
Ms. Renu Sud Karnad	Managing Director	4
Mr. V. Srinivasa Rangan	Executive Director	4
Mr. Ajay Agarwal	Company Secretary	96*

** One-time recalibration in remuneration effected during the year under review.*

 # Indicates increase in remuneration in FY 2020.

On account of the uncertainties due to the COVID-19 pandemic, the resultant lockdown and the impact it may have on the operations of the Corporation, there has been no increase in remuneration of managerial personnel in FY 2021.

Non-Executive/Independent Directors

During FY 2020, the commission paid to each independent director was ₹ 35 lac compared to ₹ 25 lac in the previous year. This was commensurate with their increased responsibilities and time requirements on the part of independent directors on issues pertaining to the Corporation. The commission payable for FY 2020 is ₹ 35 lac, which is same as last year. The Chairman was paid a commission of ₹ 2.40 crore, which was the same as the previous year. During the year, there was no change in the sitting fees paid to the non-executive directors for attending the board/ committee meetings.

Further details are provided in Form No. MGT- 9.

Number of permanent employees

HDFC had 3,095 employees as of March 31, 2020.

Percentage increase in the median remuneration of employees in FY 2020

The percentage increase in the median remuneration of employees in FY 2020 stood at 12.5%.

Average percentile increase already made in salaries of employees other than managerial personnel in last financial year and its comparison with the percentile increase in managerial remuneration

The average increase in the remuneration of all employees was 11% in FY 2020. The average increase in remuneration of whole-time directors stood at 5% and that of other employees was 11%.

The average increase in the remuneration of both, the managerial and non-managerial personnel was determined based on the overall performance of the Corporation. Further, the criteria for increase in remuneration of non-managerial personnel is based on an internal evaluation of Key Result Areas (KRAs), while the increase in remuneration of the managerial personnel is also based on the remuneration policy as recommended by the Nomination and Remuneration Committee of Directors and approved by the Board of Directors.

There were no exceptional circumstances which warranted an increase in managerial remuneration which was not justified by the overall performance of the Corporation.

The remuneration of key managerial personnel is based on the overall performance of the Corporation.

Annex to Directors' Report - 2

FORM NO. AOC - 2

(Pursuant to Clause (h) of sub-section (3) of Section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis: NIL
2. Details of material contracts or arrangements or transactions at arm's length basis:

Sr. No.	Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts/ arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board, if any	Amount paid as advances, if any
(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	HDFC Bank Ltd., Associate Company	Consideration on Assignment / Sale of Loans	April 2019 - March 2020	HDFC Bank Ltd. has an option to buy 70% of the loans disbursed out of the loans sourced by it for the Corporation. As per the agreements, the loans continue to be serviced by the Corporation, for which it is paid a consideration on mutually agreeable terms.	-*	-

* The Board of Directors of the Corporation at its meeting held on May 25, 2020 approved the inclusion of the said transaction in the notice convening the ensuing Annual General Meeting for approval of the Members of the Corporation in accordance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The above-mentioned transactions were entered into by the Corporation in its ordinary course of business. The materiality threshold is as prescribed under the Companies (Meetings of Board and its Powers) Rules, 2014.

On behalf of the Board of Directors

MUMBAI
May 25, 2020

DEEPAK S. PAREKH
Chairman

Annex to Directors' Report - 3

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. **A brief outline of the Company's CSR policy, including overview of projects or programmes undertaken and a reference to the web-link to the CSR policy and projects or programmes.**

Overview of HDFC's CSR activities:

Housing Development Finance Corporation Limited (HDFC/the Corporation) has framed a Corporate Social Responsibility (CSR) Policy in compliance with the provisions of Companies Act 2013, which outlines its CSR objectives and the manner in which it will be implemented. The CSR Policy is available on HDFC's website: https://www.hdfc.com/allpolicies/CSRPolicy.pdf. HDFC primarily implements its CSR initiatives through the H T Parekh Foundation (Foundation), a Section 8 registered charitable institution set up by HDFC in October 2012, to commemorate the legacy of its Founder Chairman, Shri H T Parekh.

During Financial Year (FY) 2019-20, HDFC continued it's commitment towards creating positive societal impact by partnering with and supporting organisations that nurture inclusive growth and equitable development. This has resulted in deepening interventions with existing partners in the 3 focus areas of Healthcare (including Water & Sanitation), Education and Skilling & Livelihoods. Additionally, our support for Disability cut across all our focus sectors.

Apart from the above, HDFC also increased its support in the area of Environmental Conservation & Sustainability, through projects which included Waste recycling, Bio-diversity, promotion of Solar Energy and Livelihood projects in Maharashtra & Assam focused on water conservation & afforestation respectively. In terms of geographic spread, 33% of HDFC's CSR projects were in the Western region, 29% were in the North, 24% were in the South and 14% were in the Eastern region (including the North East), where we have consciously scaled up our support over the past 2 years. The Corporation's CSR partners are selected based on governance, experience and quality of implementation.

Healthcare formed 42% of the total CSR expenditure during the year. Our main interventions have been towards providing quality and affordable healthcare to the most marginalised by (i) improving access to nutrition for undernourished children & lactating mothers (ii) enhance & support cancer prevention programmes (iii) early detection & treatment for all forms of avoidable blindness (iv) support for paediatric surgeries for critical illnesses.

HDFC continued its support for community-led programmes for individual and public sanitation infrastructure improvement in urban areas. The projects included constructing individual household toilets as well as refurbishment of public toilet facilities. With the increase in the number of toilets built in cities over the last 5 years, treatment of faecal waste has emerged as a major need, as part of the overall sanitation ecosystem. In the current year, HDFC supported pilot projects to set up Faecal Sludge Treatment Plants in Hyderabad (Telangana), Kolhapur and Satara (Maharashtra) in partnership with local urban bodies and 2 technical institutes Administrative Staff College of India (ASCI), Hyderabad and Centre for Environmental Planning & Technology (CEPT), Ahmedabad.

Education constituted 34% of HDFC's CSR expenditure during the year. Our Education partnerships have focused on collaborating with institutions at various levels to foster improved learning outcomes in children through (i) Early Childhood Education (ECE) interventions & Foundational learning programmes for children (ii) capacity building of school teachers (iii) training in life & vocational skills for young adolescents to make them job ready (iv) inclusive education for children with physical & intellectual disabilities and (v) supporting the development of 'model institutions', that serve as a benchmark for other educational institutes across India.

In **Skilling and Livelihoods,** the Corporation has focused on projects in thematic areas addressing: (i) Women – by promoting employable programmes for the economic empowerment of women as rural entrepreneurs, spinners and weavers, healthcare professionals such as optometrists and nurse aides and for the IT / ITES sectors (ii) Persons with Disabilities (PwD) – developing employable skilling of PwDs for their inclusion into the workforce, as well as with employers to create inclusive work places for such persons. The sector contributed to 9% of the CSR expenditure during the year.

In other projects involving **Community Development,** the Corporation completed the project involving rebuilding of homes in Kerala that were severely damaged due to the devastating floods in August 2018. HDFC had supported the construction of 75 disaster resilient houses for families belonging to the lower socio economic groups, in the worst affected villages of 2 blocks of Ernakulam District and 1 block of Alleppey District. The project was implemented through two local partners in consultation with our HDFC branches in Kerala, local communities, technical consultants and the Panchayat (village local governance) administration, and all houses were handed over to the families in December 2019. Additionally, HDFC also contributed to the Prime Minister's National Relief fund, as a measure of solidarity to support the Central Government efforts for disaster relief, during the devastating floods that occurred once again in August 2019, and impacted several states across India.

HDFC also supported a unique project in Ahmedabad, Gujarat for the improvement & redevelopment of the 'Dhal ni Pol', one of the oldest heritage precincts in the city of Ahmedabad (a UNESCO World Heritage site). The pilot project will be carried out over 2 years, involving the civic infrastructure improvement and heritage restoration within a earmarked stretch of the Pol, and will be a showcase project to be scaled to the rest of the Pol at a subsequent stage.

Some of the other **Special Projects** were in the areas of Environmental Sustainability, as mentioned above and the Promotion of Sports, by supporting 5 athletes & 23 para-athletes, who were selected on the basis of talent, performance and potential to win an Olympic medal for India.

2. **The Composition of the CSR Committee**

Mr. Deepak S. Parekh (Chairman)

Mr. Jalaj Dani (Independent Director)

Mr. Keki M. Mistry (Director)

Ms. Renu Sud Karnad (Director)

Mr. V. Srinivasa Rangan (Director)

During the year under review, the Committee met 3 times on May 10, 2019, November 4, 2019 and March 13, 2020. The details of attendance of the Directors at the said meetings are provided in Report of the Directors on Corporate Governance.

3. **Average net profit of the Company for the last three financial years:** **₹ 9,195.17 crore**

4. **Prescribed CSR Expenditure (2% of the amount in Point 3 above):** **₹ 183.90 crore**

5. **Details of CSR spent during the financial year:**

   a. **Total amount spent during the financial year 2019-20:** **₹ 211.77 crore**

   b. **Amount unspent, if any:** **Nil**

c. Manner in which the amount was spent during the financial year is detailed below:

Sr. No.	CSR Project/Activity	Sector	Locations	Budget for Projects/ Programmes	Amount Spent: Direct on Projects/ Programmes	Cumulative Expenditure up to Reporting Period[II]	Amount Spent: Direct/ Implementing Agency[I]
			Districts (State)	₹ Crore	₹ Crore	₹ Crore	
1A	(i) Cancer prevention, treatment and care (ii) institutional and operational capacity enhancement of healthcare programmes	Healthcare	Ahmedabad (Gujarat); Bengaluru (Karnataka); Ernakulam (Kerala); Aurangabad, Pune, Mumbai, Raigad, Solapur, Thane (Maharashtra); New Delhi; Angul, Bhadrak, Boudh, Dhenkanal, Jagatsinghpur, Jharsuguda, Kendrapada, Naupada (Odisha); Chandigarh; Jodhpur (Rajasthan); Vellore (Tamil Nadu)	24.91	24.91	48.48	H T Parekh Foundation and Implementing Agency
1B	Eyecare - detection and treatment of preventable blindness	Healthcare	Vizianagaram (Andhra Pradesh); Jorhat (Assam); Surat (Gujarat); Bengaluru, Dharwad (Karnataka); Gwalior (Madhya Pradesh); Latur, Nagpur (Maharashtra); New Delhi; Jalandhar (Punjab); Udaipur (Rajasthan); Chennai (Tamil Nadu); Lucknow, Kanpur, Sitapur (Uttar Pradesh); Purba Medinipur, Siliguri, South 24 Parganas (West Bengal)	18.97	18.97	29.75	H T Parekh Foundation

Sr. No.	CSR Project/Activity	Sector	Locations	Budget for Projects/ Programmes	Amount Spent: Direct on Projects/ Programmes	Cumulative Expenditure up to Reporting Period[ii]	Amount Spent: Direct/ Implementing Agency[i]
			Districts (State)	₹ Crore	₹ Crore	₹ Crore	
1C	Access to nutrition and nutrition services to reduce malnourishment amongst vulnerable children	Healthcare	Dibrugarh, Kamrup (Assam); Surguja (Chhattisgarh); Ahmedabad (Gujarat); Chindwara (Madhya Pradesh); Mumbai, Palghar, Pune, Thane (Maharashtra); Bargarh (Odisha); Baran, Chittorgarh, Jodhpur, Udaipur (Rajasthan); South 24 Parganas (West Bengal)	14.91	14.91	38.53	H T Parekh Foundation
1D	Transformational surgeries for children and healthcare support to children with special needs	Healthcare	Bengaluru (Karnataka); Ernakulam (Kerala); Mumbai (Maharashtra); Chennai (Tamil Nadu); Hyderabad (Telangana); South 24 Parganas (West Bengal)	16.45	16.45	31.10	H T Parekh Foundation and Implementing Agency
1E	(i) Access to sanitation in urban slums and rural schools (ii) Improved sanitation infrastructure in urban cities (iii) Access to safe drinking water	Healthcare	Ahmedabad (Gujarat); Kolhapur, Mumbai, Pune, Satara (Maharashtra); Jodhpur (Rajasthan); Chennai, Tiruchirappalli (Tamil Nadu); Hyderabad (Telangana)	12.92	12.92	29.49	H T Parekh Foundation and Implementing Agency
2A	Programmes for Early Childhood Education and Foundational Learning	Education	Mumbai, Parbhani (Maharashtra); New Delhi	2.52	2.52	5.57	H T Parekh Foundation

Sr. No.	CSR Project/Activity	Sector	Locations	Budget for Projects/ Programmes	Amount Spent: Direct on Projects/ Programmes	Cumulative Expenditure up to Reporting Period[II]	Amount Spent: Direct/ Implementing Agency[I]
			Districts (State)	₹ Crore	₹ Crore	₹ Crore	
2B	Teacher Training programmes to enable students to achieve age appropriate learning outcomes	Education	Durg (Chhattisgarh); Ahmedabad (Gujarat); Dumka, Hazaribagh, Koderma, Pakur, Palamu, Purbi Singhbhum, Ranchi, Sahibganj (Jharkhand); Bengaluru (Karnataka); Barwani, Khandwa (Madhya Pradesh); Amravati, Akola, Aurangabad, Buldhana, Bhandara, Chandrapur, Gadchiroli, Gondia, Latur, Mumbai, Nagpur, Nanded, Palghar, Raigad, Thane, Wardha, Washim, Yavatmal (Maharashtra); New Delhi; Chittorgarh, Jaipur, Jodhpur (Rajasthan); Chennai, Kanyakumari, Thoothukudi (Tamil Nadu); Hyderabad (Telangana)	18.65	18.65	44.34	H T Parekh Foundation and Implementing Agency
2C	Programmes focused on Career readiness, Life skills and Vocational training of adolescents and youth	Education	Bengaluru (Karnataka); Amravati, Mumbai, Pune, Raigad, Wardha (Maharashtra); New Delhi; All Districts (Odisha)	3.72	3.72	9.61	H T Parekh Foundation and Implementing Agency

Sr. No.	CSR Project/Activity	Sector	Locations	Budget for Projects/ Programmes	Amount Spent: Direct on Projects/ Programmes	Cumulative Expenditure up to Reporting Period[II]	Amount Spent: Direct/ Implementing Agency[I]
			Districts (State)	₹ Crore	₹ Crore	₹ Crore	
2D	(i) Support to Model Educational Institutes that can serve as a benchmark for education quality (ii) programmes supporting research	Education	Chittoor (Andhra Pradesh); Kamrup (Assam); Raigarh, (Chhattisgarh); Sonepat (Haryana); Hazaribagh, Ranchi (Jharkhand); Chhatarpur, Guna (Madhya Pradesh); Mumbai, Nashik, Pune (Maharashtra); Noney (Manipur); New Delhi; Bharatpur (Rajasthan); Ghazipur, Jhansi, Raebareli (Uttar Pradesh); Almora, Dehradun, Tehri Garhwal (Uttarakhand); South 24 Parganas (West Bengal)	39.40	39.40	70.83	H T Parekh Foundation and Implementing Agency
2E	Inclusive education for children with special needs	Education	Kamrup (Assam); Bengaluru (Karnataka); Ernakulam (Kerala); Mumbai (Maharashtra); Khasi Hills (Meghalaya); South Sikkim (Sikkim); Chennai, Karur, Tirunelveli, Tiruvallur (Tamil Nadu); West Tripura (Tripura); Dehradun (Uttarakhand)	7.13	7.13	12.65	H T Parekh Foundation and Implementing Agency

Sr. No.	CSR Project/Activity	Sector	Locations	Budget for Projects/ Programmes	Amount Spent: Direct on Projects/ Programmes	Cumulative Expenditure up to Reporting Period[ii]	Amount Spent: Direct/ Implementing Agency[i]
			Districts (State)	₹ Crore	₹ Crore	₹ Crore	
3A	Skill Development and Livelihood enhancement programmes for Women and Construction workers	Skilling & Livelihoods	Saran (Bihar); Dhamtari, North Bastar Kanker, Raigarh (Chhattisgarh); Gurugram (Haryana); Bengaluru, Chikkaballapur (Karnataka); Ahmednagar, Nashik, Pune, Raigad (Maharashtra); New Delhi; Kalahandi, Koraput, Nabarangpur (Odisha); Ambala (Punjab); Mirzapur (Uttar Pradesh); Howrah, Jhargram, Purba Bardhaman, Purulia (West Bengal)	15.68	15.68	31.10	H T Parekh Foundation & Implementing Agency
3B	Training persons with disabilities to become economically self-reliant	Skilling & Livelihoods	Bengaluru, Gadag, Hassan, Koppal (Karnataka); Indore (Madhya Pradesh); Mumbai (Maharashtra); Chennai (Tamil Nadu); South 24 Parganas (West Bengal)	2.88	2.88	5.73	H T Parekh Foundation and Implementing Agency
4A	Disaster relief and rehabilitation (housing)	Community Development	Alleppey, Ernakulam (Kerala); New Delhi	17.17	17.17	19.39	Prime Minister's National Relief Fund and H T Parekh Foundation
4B	Supporting senior citizen homes, orphanages, childcare homes and heritage area community projects	Community Development	Ahmedabad (Gujarat); Bengaluru (Karnataka); Mumbai, Raigad (Maharashtra); New Delhi; Chennai, Krishnagiri (Tamil Nadu)	2.00	2.00	3.02	H T Parekh Foundation and Implementing Agency

Sr. No.	CSR Project/Activity	Sector	Locations	Budget for Projects/ Programmes	Amount Spent: Direct on Projects/ Programmes	Cumulative Expenditure up to Reporting Period[II]	Amount Spent: Direct/ Implementing Agency[I]
			Districts (State)	₹ Crore	₹ Crore	₹ Crore	
5	Projects on Solid waste management & recycling, Ecological restoration, Rewilding of forests, Clean energy (Solar)	Environment	Hojai, Sonitpur (Assam); Kangra (Himachal Pradesh); Uttara Kannada (Karnataka); Hoshangabad (Madhya Pradesh); Ahmednagar, Amravati, Akola, Aurangabad, Beed, Buldhana, Chandrapur, Hingoli, Jalgaon, Mumbai, Nagpur, Nanded, Nandurbar, Nashik, Latur, Osmanabad, Parbhani, Pune, Sangli, Satara, Solapur, Wardha, Washim, Yavatmal (Maharashtra)	10.42	10.42	14.11	H T Parekh Foundation and Implementing Agency
6	Other projects - (i) Training Olympic athletes, sports coaching in low-income schools (ii) Promoting Indian art and culture	Art, Culture and Sports	Bengaluru (Karnataka); Mumbai, Ratnagiri (Maharashtra); New Delhi; Chennai (Tamil Nadu)	2.36	2.36	7.09	H T Parekh Foundation and Implementing Agency
7	Administrative expenses				1.68		
	Total				**211.77**	**400.79**[II]	

Notes:

I **Details of Implementing Agencies:** HDFC carries out its CSR activities through the H T Parekh Foundation and other implementing agencies (non-profit organisations). Some significant ones are as below (in alphabetical order):

Organisation	Sector
3.2.1 Education Foundation	Education
Agastya International Foundation	Education
Aishwarya Trust	Healthcare
Annamrita Foundation	Healthcare
Anudip Foundation for Social Welfare	Skilling & Livelihoods
Avasara Leadership Institute	Education
Balipara Tract & Frontier Foundation	Environment
Bombay Community Public Trust	Education & Healthcare
CanCare Trust	Healthcare
Centre for Environmental Research and Education	Environment
CEPT Research and Development Foundation	Sanitation
Changanacherry Social Service Society	Community Development
CMC Vellore Association	Healthcare
Collective Good Foundation	Sanitation
Cuddles Foundation	Healthcare
Dr Shroff's Charity Eye Hospital	Healthcare
Edelgive Foundation	Education
ENABLE India	Differently Abled
Ernakulam Social Service Society	Community Development
Foundation for Promotion of Sports and Games	Sports
Foundation to Educate Girls Globally	Education
Genesis Foundation	Healthcare
Gramalaya Trust	Sanitation
Harsha Trust	Skilling & Livelihoods
Hiralal Parekh Parivar Charity Trust	Environment
I Hear Foundation	Differently Abled
Indian Cancer Society	Healthcare
Indian Institute of Technology, Madras	Healthcare
International Foundation for Research and Education	Education
Jai Vakeel Foundation and Research Centre	Differently Abled
Lend a Hand India	Education
Maan Deshi Foundation	Skilling & Livelihoods
Medical Research Foundation	Healthcare
Narayana Hrudayalaya Charitable Trust	Healthcare
Paani Foundation	Environment
Professional Assistance for Development Action (PRADAN)	Skilling & Livelihoods
Sampark Foundation	Education
Sense International (India)	Differently Abled

Organisation	Sector
Shelter Associates	Sanitation
St Jude India Childcare Centres	Healthcare
Teach to Lead	Education
The Akanksha Foundation	Education
The Akshaya Patra Foundation	Healthcare
The Antara Foundation	Healthcare
The Association of People with Disability	Differently Abled
The Foundation for Medical Research	Healthcare
Ummeed Child Development Center	Differently Abled
Vision Foundation of India	Healthcare
Vision Spring	Healthcare
Vrutti	Skilling & Livelihoods
Wildlife Conservation Trust	Environment
Yugrishi Shriram Sharma Acharya Charitable Trust	Skilling & Livelihoods
Yuva Mitra	Skilling & Livelihoods
Yuva Unstoppable	Sanitation

The complete list of implementing agencies is available for inspection.

II Cumulative expenditure on programmes includes expenditure incurred for an ongoing project/programme from earlier years to the current reporting period.

6. In case the Company has failed to spend 2% of the average net profit of the last 3 financial years or any part thereof, the Company shall provide the reasons for not spending the amount:

Not applicable.

7. The CSR Committee hereby confirms that the implementation and monitoring of the CSR Policy is in compliance with the CSR objectives and policy of HDFC.

For Housing Development Finance Corporation Limited

MUMBAI
May 25, 2020

KEKI M. MISTRY
Vice Chairman & CEO

DEEPAK S. PAREKH
Chairman - CSR Committee

Annex to Directors' Report - 4

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on March 31, 2020

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

CIN	:	L70100MH1977PLC019916
Registration Date	:	October 17, 1977
Name of the Company	:	**HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED**
Category/Sub-Category of the Company	:	Company limited by shares/Non-Government Company
Address of the Registered office and contact details	:	Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai - 400 020. Tel. No.: +91-22–6176 6000
Whether listed company Yes/No	:	Yes
Name, Address and Contact details of Registrar and Transfer Agent, if any	:	Registered as an in-house share transfer agent Housing Development Finance Corporation Limited Investor Services Department 5th Floor, Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai – 400 020. Tel. No.: +91-22-6141 3900 E-mail: *investorcare@hdfc.com*

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company:

Sr. No.	Name and Description of main Products/Services	NIC Code of the Product/Service	% of total turnover of the Company
1.	The Corporation's main business is financing by way of loans for the purchase or construction of residential houses, commercial real estate and certain other purposes, in India. All other activities of the Corporation revolve around the main business.	64192	99.96

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and address of the Company	CIN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	**HDFC INVESTMENTS LTD.** Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020	U65990MH1994PLC083933	Subsidiary	100	2(87)
2.	**HDFC TRUSTEE CO. LTD.** HDFC House, 2nd Floor, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020	U65991MH1999PLC123026	Subsidiary	100	2(87)
3.	**HDFC ASSET MANAGEMENT CO. LTD.** HDFC House, 2nd Floor, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020	L65991MH1999PLC123027	Subsidiary	52.72	2(87)
4.	**HDFC HOLDINGS LTD.** Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020	U65993MH2000PLC123680	Subsidiary	100	2(87)
5.	**HDFC LIFE INSURANCE CO. LTD.** 13th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011	L65110MH2000PLC128245	Subsidiary	51.44	2(87)

Sr. No.	Name and address of the Company	CIN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
6.	**HDFC SALES PVT. LTD.** HDFC House, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020	U65920MH2004PTC144182	Subsidiary	100	2(87)
7.	**HDFC VENTURES TRUSTEE CO. LTD.** HDFC House, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020	U65991MH2004PLC149329	Subsidiary	100	2(87)
8.	**HDFC VENTURE CAPITAL LTD.** HDFC House, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020	U65991MH2004PLC149330	Subsidiary	80.50	2(87)
9.	**HDFC CREDILA FINANCIAL SERVICES PVT. LTD.** B - 301, Citi Point, Next to Kohinoor Continental, Andheri-Kurla Road, Andheri (East), Mumbai 400 059	U67190MH2006PTC159411	Subsidiary	100	2(87)
10.	**HDFC PROPERTY VENTURES LTD.** HDFC House, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020	U74140MH2006PLC165539	Subsidiary	100	2(87)
11.	**HDFC ERGO GENERAL INSURANCE CO. LTD.** HDFC House, 1st Floor, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020	U66030MH2007PLC177117	Subsidiary	50.48	2(87)
12.	**HDFC PENSION MANAGEMENT CO. LTD.** (Through HDFC Life Insurance Co. Ltd.) 14th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011	U66020MH2011PLC218824	Subsidiary	51.44	2(87)
13.	**HDFC EDUCATION AND DEVELOPMENT SERVICES PVT. LTD.** Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020	U80301MH2011PTC224035	Subsidiary	100	2(87)
14.	**HDFC CAPITAL ADVISORS LTD.** Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020	U74999MH2015PLC264030	Subsidiary	100	2(87)
15.	**HDFC ERGO HEALTH INSURANCE LTD.** (Formerly Apollo Munich Health Insurance Co. Ltd.) 101, 1st Floor, Inizio, Cardinal Gracious Road, Chakala, Opposite P & G Plaza, Andheri (East), Mumbai 400 069	U66030MH2006PLC331263	Subsidiary	51.16	2(87)
16.	**GRIHA PTE. LTD.** (Through HDFC Investments Ltd.) 1 Raffles Place #44-01, One Raffles Place, Singapore 048616	-	Subsidiary	100	2(87)
17.	**GRIHA INVESTMENTS** (Through HDFC Holdings Ltd.) IFS Court, Bank Street, TwentyEight, Cybercity, Ebene 72201, Mauritius	-	Subsidiary	100	2(87)
18.	**HDFC INTERNATIONAL LIFE AND RE CO. LTD.** (Through HDFC Life Insurance Co. Ltd.) Unit OT 17-30, Level 17, Central Park Offices, Dubai International Financial Centre (DIFC), Dubai 114 603, United Arab Emirates	-	Subsidiary	51.44	2(87)
19.	**HDFC BANK LTD.** HDFC Bank House, Senapati Bapat Marg, Lower Parel (West), Mumbai 400 013	L65920MH1994PLC080618	Associate	21.24*	2(6)
20.	**MAGNUM FOUNDATIONS PVT. LTD.** (Through HDFC Property Ventures Ltd.) No. 3, Mangesh Street, T. Nagar, Chennai 600 017	U45201TN1998PTC039924	Associate	50.00	2(6)

Sr. No.	Name and address of the Company	CIN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
21.	**TRUE NORTH VENTURES PVT. LTD.** Suite F9C, Grand Hyatt Plaza, Santacruz (East), Mumbai 400 055	U67190MH2000PTC123712	Associate	21.51	2(6)
22.	**GOOD HOST SPACES PVT. LTD.** 103, Rajan House, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025	U74994MH2005PTC339336	Associate	25.01	2(6)

* includes the holding of HDFC Investments Ltd. and HDFC Holdings Ltd.

IV. SHAREHOLDING PATTERN (Equity Share Capital Break-up as percentage of Total Equity)

(i) Category-wise Shareholding:

Category of shareholder	No. of shares held at the beginning of the year (April 1, 2019)				No. of shares held at the end of the year (March 31, 2020)				% Change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
(A) Promoter									
(1) Indian	-	-	-	-	-	-	-	-	-
Sub-total (A) (1)	-	-	-	-	-	-	-	-	-
(2) Foreign	-	-	-	-	-	-	-	-	-
Sub-total (A) (2)	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	-	-	-	-	-	-	-	-	-
(B) Public Shareholding									
(B) (1) Institutions									
(a) Mutual Funds	13,61,08,773	250	13,61,09,023	7.91	16,49,34,868	-	16,49,34,868	9.52	1.61
(b) Venture Capital Funds	-	-	-	-	-	-	-	-	-
(c)Alternate Investment Funds	27,29,953	-	27,29,953	0.16	34,72,686	-	34,72,686	0.20	0.04
(d) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
(e) Foreign Institutional Investors/Foreign Portfolio Investors	127,71,64,851	-	127,71,64,851	74.19	122,75,99,385	-	122,75,99,385	70.88	-3.31
(f) Financial Institutions/ Banks	17,76,095	7,100	17,83,195	0.10	10,77,679	7,100	10,84,779	0.06	-0.04
(g) Insurance Companies	10,96,15,480	-	10,96,15,480	6.37	13,95,19,997	-	13,95,19,997	8.06	1.69
(h) Any Other	-	-	-	-	-	-	-	-	-
Sub-total (B) (1)	**152,73,95,152**	**7,350**	**152,74,02,502**	**88.73**	**153,66,04,615**	**7,100**	**153,66,11,715**	**88.72**	**-0.01**
(B) (2) Central Government/State Government(s)									
(a) Central Government/ State Government(s)	21,11,413	-	21,11,413	0.12	35,24,256	-	35,24,256	0.20	0.08
Sub-total (B) (2)	**21,11,413**	**-**	**21,11,413**	**0.12**	**35,24,256**	**-**	**35,24,256**	**0.20**	**0.08**
(B) (3) Non-institutions									
(a) Bodies Corporate	1,89,67,257	95,610	1,90,62,867	1.11	1,93,22,078	87,605	1,94,09,683	1.12	0.01
(b) Individuals -									
i. Individual shareholders holding nominal share capital up to ₹ 1 lakh	10,07,65,015	75,77,930	10,83,42,945	6.29	10,47,56,578	63,39,435	11,10,96,013	6.42	0.13

Category of shareholder	No. of shares held at the beginning of the year (April 1, 2019)				No. of shares held at the end of the year (March 31, 2020)				% Change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	3,18,07,312	1,41,600	3,19,48,912	1.86	3,00,24,987	1,28,400	3,01,53,387	1.74	-0.12
(c) Any Other (specify)									
i. Directors & their relatives	73,94,795	-	73,94,795	0.43	67,09,906	-	67,09,906	0.39	-0.04
ii. Hindu Undivided Families	14,20,331	-	14,20,331	0.08	15,81,704	-	15,81,704	0.09	0.01
iii. Foreign Nationals	1,390	-	1,390	#	1,369	-	1,369	#	-
iv. NRIs	49,00,320	44,500	49,44,820	0.29	48,22,491	48,850	48,71,341	0.28	-0.01
v. Clearing Members	55,47,007	-	55,47,007	0.32	54,00,442	-	54,00,442	0.31	-0.01
vi. Trusts	88,14,069	-	88,14,069	0.51	1,06,26,674	-	1,06,26,674	0.61	0.10
vii. FDI - Foreign Corporate Bodies	29,62,581	-	29,62,581	0.17	5,77,871	-	5,77,871	0.03	-0.14
viii. IEPF	14,83,758	-	14,83,758	0.09	14,86,828	-	14,86,828	0.09	-
Sub-total (B) (3)	**18,40,63,835**	**78,59,640**	**19,19,23,475**	**11.15**	**18,53,10,928**	**66,04,290**	**19,19,15,218**	**11.08**	**-0.07**
Total Public Shareholding (B) = (B)(1)+(B)(2)+(B)(3)	**171,35,70,400**	**78,66,990**	**172,14,37,390**	**100**	**172,54,39,799**	**66,11,390**	**173,20,51,189**	**100**	**-**
TOTAL (A)+(B)	**171,35,70,400**	**78,66,990**	**172,14,37,390**	**100**	**172,54,39,799**	**66,11,390**	**173,20,51,189**	**100**	**-**
(C) Shares held by Custodians and against which Depository Receipts have been issued	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
GRAND TOTAL (A)+(B)+(C)	**171,35,70,400**	**78,66,990**	**172,14,37,390**	**100**	**172,54,39,799**	**66,11,390**	**173,20,51,189**	**100**	

Represents percentage less than 0.01.

(ii) **Shareholding of Promoters:** Not applicable – The Corporation does not have any promoter.

(iii) **Change in Promoters' Shareholding (please specify, if there is no change):** Not applicable - The Corporation does not have any promoter.

(iv) **Shareholding Pattern of Top Ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

Name	Shareholding at the beginning of the year (April 1, 2019)		Shareholding at the end of the year (March 31, 2020)	
	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
Life Insurance Corporation of India*	6,43,64,604	3.74	8,09,15,574	4.67
Invesco Oppenheimer Developing Markets Fund (formerly 'Oppenheimer Developing Markets Fund')*	5,10,33,026	2.96	5,76,03,762	3.33
Government of Singapore*	6,32,01,485	3.67	5,58,83,616	3.23
SBI-ETF Nifty 50*	3,15,19,651	1.83	4,41,59,115	2.55
Vanguard Total International Stock Index Fund*	2,67,17,434	1.55	3,01,70,722	1.74
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds*	2,69,73,349	1.57	2,53,87,780	1.47
ICICI Prudential Life Insurance Company Limited#	1,43,52,426	0.83	2,08,32,314	1.20
Government Pension Fund Global - Norway#	1,67,80,214	0.97	1,93,01,652	1.11
Europacific Growth Fund*	3,18,13,425	1.85	1,89,26,695	1.09
Stichting Depositary APG Emerging Markets Equity Pool*	1,92,15,846	1.12	1,85,17,062	1.07
Abu Dhabi Investment Authority – Behave@	2,02,56,730	1.18	1,37,42,363	0.79
ICICI Prudential Balanced Advantage Fund@	1,79,28,536	1.04	26,24,954	0.15

1. The shares of the Corporation are substantially held in dematerialised form and are traded on a daily basis and hence the date wise increase/decrease in shareholding is not indicated.
2. * Common top 10 shareholders as on April 1, 2019 and March 31, 2020
@ Top 10 shareholders only as on April 1, 2019
# Top 10 shareholders only as on March 31, 2020

(v) Shareholding of Directors and Key Managerial Personnel*:

Name of the Director/Key Managerial Personnel	Shareholding at the beginning of the year (April 1, 2019)	Number of shares allotted pursuant to exercise of stock options/ acquired during FY 2019-20	Number of shares sold during FY 2019-20	Shareholding at the end of the year (March 31, 2020)	% of total shares of the Company
Mr. Deepak S. Parekh	11,60,000	1,250	1,00,000	10,61,250	0.06
Mr. Nasser Munjee	-	-	-	-	-
Dr. J. J. Irani	65,000	-	-	65,000	@
Mr. U. K. Sinha	-	-	-	-	-
Mr. Jalaj Dani	-	-	-	-	-
Dr. Bhaskar Ghosh	-	-	-	-	-
Ms. Ireena Vittal#	-	5,000	-	5,000	@
Mr. V. Srinivasa Rangan	4,72,025	81,750	1,40,000	4,13,775	0.02
Ms. Renu Sud Karnad	27,81,518	1,71,404	6,25,000	23,27,922	0.13
Mr. Keki M. Mistry	6,56,981	3,56,500	4,35,793	5,77,688	0.03
Mr. Ajay Agarwal	36,360	25,250	25,300	36,310	@

* Date wise increase/decrease in shareholding of the directors and the key managerial personnel is available on the website of National Stock Exchange of India Limited and BSE Limited.

@ Represents percentage less than 0.01.

Purchased from secondary market during the year.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment:

₹ in Crore

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	1,84,906.98	74,759.76	1,06,898.68	3,66,565.42
ii) Interest due but not paid	-	-	105.90	105.90
iii) Interest accrued but not due	5,135.65	1,201.60	4,517.14	10,854.39
Total (i+ii+iii)	**1,90,042.63**	**75,961.36**	**1,11,521.72**	**3,77,525.71**
Change in Indebtedness during the financial year				
i) Addition	1,55,324.25	82,980.16	1,09,978.14	3,48,282.55
ii) Reduction	1,18,116.94	94,730.42	81,525.22	2,94,372.58
Net Change (i-ii)	**37,207.31**	**(11,750.26)**	**28,452.92**	**53,909.97**
Indebtedness at the end of the financial year				
i) Principal Amount	2,21,264.03	63,087.29	1,34,491.92	4,18,843.24
ii) Interest due but not paid	-	-	178.90	178.90
iii) Interest accrued but not due	5,985.91	1,123.81	5,303.82	12,413.54
Total (i+ii+iii)	**2,27,249.94**	**64,211.10**	**1,39,974.64**	**4,31,435.68**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sr. No.	Particulars of Remuneration	Mr. Keki M. Mistry (Managing Director - Vice Chairman & CEO) (₹)	Ms. Renu Sud Karnad (Managing Director) (₹)	Mr. V. Srinivasa Rangan (Executive Director & CFO) (₹)	Total Amount (₹)
1.	Gross salary				
	(a) Salary as per provisions contained in Section 17(1) of the Income-Tax Act, 1961(1)	6,28,29,514	5,53,72,255	3,87,14,046	15,69,15,815
	(b) Value of perquisites under Section 17(2) of the Income-Tax Act, 1961(2)	63,06,157	59,86,548	37,07,798	1,60,00,503
	(c) Profits in lieu of salary under Section 17(3) of the Income-Tax Act, 1961	-	-	-	-
2.	Stock Option(3)	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- as % of profit	-	-	-	-
	- Others, specify	8,50,50,000	7,74,00,000	5,65,50,000	21,90,00,000
5.	Others, please specify	-	-	-	-
	Gross Remuneration	**15,41,85,671**	**13,87,58,803**	**9,89,71,844**	**39,19,16,318**
6.	Tax Deducted at Source (TDS)	(6,55,51,420)	(5,89,58,420)	(4,19,50,820)	(16,64,60,660)
	Net Remuneration	**8,86,34,251**	**7,98,00,383**	**5,70,21,024**	**22,54,55,658**
	Ceiling as per the Companies Act, 2013				**7,77,95,91,286**

[1] Expenses towards gratuity and leave encashment provisions are determined actuarially on an overall basis at the end of each year and accordingly, have not been considered in the above information.

[2] Excludes value of perquisite upon exercise of stock options granted during earlier financial years. Even if the same were to be added to the aforesaid remuneration, the total remuneration of the above personnel would be within the ceilings as provided in Section 197 of the Companies Act, 2013. Stock options are always granted at the prevailing market price and as such the intrinsic value of the options is nil.

[3] During the year, no stock options were granted.

B. Remuneration to other Directors:

Name of Directors	Particulars of Remuneration			
	Fees for attending board/committee meetings (₹)	Commission paid for financial year* (₹)	Others, please specify (₹)	Total Amount (₹)
Mr. Deepak S. Parekh[1]	7,00,000	2,40,00,000	-	2,47,00,000
Mr. Nasser Munjee	17,00,000	35,00,000	-	52,00,000
Dr. J. J. Irani	15,00,000	35,00,000	-	50,00,000
Mr. U. K. Sinha	12,00,000	35,00,000	-	47,00,000
Mr. Jalaj Dani	20,00,000	35,00,000	-	55,00,000
Dr. Bhaskar Ghosh	17,00,000	35,00,000	-	52,00,000
Ms. Ireena Vittal	16,00,000	35,00,000	-	51,00,000
Total	**1,04,00,000**	**4,50,00,000**	**-**	**5,54,00,000**
Overall Ceiling as per the Companies Act, 2013				**77,79,59,129@**

* As a practice, commission will be paid to the directors after the financial statements are adopted by the members at the ensuing AGM.

[1] Excludes value of perquisite upon exercise of stock options granted during earlier financial years. Stock options are always granted at the prevailing market price and as such the intrinsic value of the options is nil.

@ Excludes sitting fees.

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD:

Sr. No.	Particulars of Remuneration	Mr. Ajay Agarwal (Company Secretary) (₹)
1.	Gross salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-Tax Act, 1961(1)	49,56,891
	(b) Value of perquisites under Section 17(2) of the Income-Tax Act, 1961(2)	11,00,704
	(c) Profits in lieu of salary under Section 17(3) of the Income-Tax Act, 1961	-
2.	Stock Option(3)	-
3.	Sweat Equity	-
4.	Commission	
	- as % of profit	-
	- Others, specify	-
5.	Others, please specify	-
	Gross Remuneration	**60,57,595**
	Tax Deducted at Source (TDS)	(17,23,240)
	Net Remuneration	**43,34,355**

1 Expenses towards gratuity and leave encashment provisions are determined actuarially on an overall basis at the end of each year and accordingly, have not been considered in the above information.

2 Excludes value of perquisite upon exercise of stock options granted during earlier financial years. Stock options are always granted at the prevailing market price and as such the intrinsic value of the options is nil.

3 During the year, no stock options were granted.

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

During the year under review, the Corporation, its directors or any of its officers were not liable for any penalty, punishment or any compounding of offences under the Companies Act, 2013.

Annex to Directors' Report - 5

FORM NO. MR-3

Secretarial Audit Report

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2020

*[**Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**]*

To,

The Members,

Housing Development Finance Corporation Limited

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Housing Development Finance Corporation Limited (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conduct/ statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2020, according to the provisions of:

1. The Companies Act, 2013 ('the Act') and the rules made thereunder including any re-enactment thereof;

2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

3. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

4. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and External Commercial Borrowings;

5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'), to the extent applicable:

a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

c. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

d. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

e. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

f. The Securities and Exchange Board of India (Intermediaries) Regulations, 2008;

g. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993;

h. The Securities and Exchange Board of India (Debenture Trustee) Regulations, 1993 (in relation to obligations of Issuer Company);

6. Specific laws applicable as mentioned hereunder:

a. National Housing Bank Act, 1987;

b. Housing Finance Companies (NHB) Directions, 2010;

c. Guidelines on 'Know Your Customer' and Anti-Money Laundering Measures;

d. Returns to be submitted by Housing Finance Companies;

e. Guidelines for Asset Liability Management System in Housing Finance Companies;

f. Housing Finance Companies issuance of Non-Convertible Debentures on private placement basis (NHB) Directions, 2014;

g. Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016;

h. Housing Finance Companies – Auditor's Report (National Housing Bank) Directions, 2016;

i. Guidelines on Fair Practices Code for Housing Finance Companies;

j. Guidelines on Reporting and Monitoring of Frauds in Housing Finance Companies;

k. Information Technology framework for HFCs – Guidelines;

l. Miscellaneous Circulars;

m. Policy Circulars;

n. Pension Fund Regulatory and Development Authority (Point of Presence) Regulations, 2018;

o. Pension Fund Regulatory and Development Authority (Redressal of Subscriber Grievance) Regulations, 2015;

p. SEBI Circular on strengthening the Guidelines and Raising Industry standards for RTA, Issuer Companies and Banker to an Issue; and

q. RBI Commercial Paper Directions, 2017, effective from 10th August, 2017 (as amended from time to time) w.r.t. issue of commercial papers and applicable Operating Guidelines issued by FIMMDA (Fixed Income Money Market and Derivatives Association of India).

We have also examined compliance with the applicable clauses of the Secretarial Standards 1, 2 and 3 issued by the Institute of Company Secretaries of India.

We report that during the audit period, the Company has complied with the provisions of the Act, rules, regulations, guidelines, standards, etc. mentioned above, except for following:

Non-compliance with the provisions of paragraph 2(1)(zc)(ii) and 37(3) of the Housing Finance Companies (NHB) Directions, 2010 (NHB Directions):

During the audit period, National Housing Bank (NHB) levied a penalty of INR 85,000 for non-compliance with the provisions of Para 2(1)(zc)(ii) of the NHB Directions relating to definition of sub-standard asset and Para 37(3) of the NHB Directions pertaining to opening of representative office outside India without obtaining prior approval in writing from the NHB.

Management Responsibility:

i. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit;

ii. We have followed the audit practices and the processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We have carried out audit by way of physical inspection as well as relying on documents shared electronically, where physical access was not possible on account of lockdown due to COVID-19. We believe that the processes and practices we followed provide a reasonable basis for our opinion;

iii. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company;

iv. Wherever required, we have obtained the Management Representation about the compliance of laws, rules and regulations and happening of events, etc.;

v. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification of procedure on test basis; and

vi. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Recommendations as a matter of best practice:

In the course of our audit, we have made certain recommendations for good corporate practices to the compliance team, for its necessary consideration and implementation by the Company.

We have also observed that all the recommendations made by us in the past have been accepted/put into practice by the Company.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Director and Independent Directors. There were no changes in the composition of the Board of

Directors that took place during the period under review.

Adequate notice is given to all directors to schedule the Board Meetings and Committee meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All the decisions were unanimous and there was no instance of dissent in Board or Committee Meetings.

We further report that there are adequate systems and processes in the Company, which commensurate with its size and operations to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, the Company has not undertaken any specific events/ actions that can have a major bearing on the Company's compliance responsibility in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc., except as follows:

i. Issue of equity shares under Employee Stock Option Scheme (ESOS) 2011, 2014 and 2017:

During the audit period, the Corporation allotted 1,06,13,799 (One crore Six lakhs Thirteen thousand Seven hundred and Ninety Nine) equity shares of INR 2 each to its employees and few directors under the ESOS 2011, 2014 and 2017.

ii. Private Placement of Non-Convertible Debentures (NCDs):

During the audit period, the Corporation has issued NCDs amounting to INR 46,190 crore from series V-005 to V-008 and W-001 to W-010.

iii. Redemption of NCDs:

During the audit period, the Corporation redeemed NCDs amounting to INR 35,171 crore pursuant to maturity.

iv. Acquisition of equity stake in HDFC ERGO Health Insurance Limited:

During the audit period, the Corporation acquired 51.16% of equity share capital of HDFC ERGO Health Insurance Limited (**HDFC ERGO Health**) (earlier Apollo Munich Health Insurance Company Limited) subsequent to which HDFC ERGO Health became a subsidiary of the Corporation.

v. Acquisition of equity stake in HDFC Credila Financial Services Private Limited:

During the audit period, the Corporation acquired 1,14,70,000 (One Crore Fourteen lakhs Seventy thousand) equity shares of INR 10 each, representing 9.12% of the equity share capital of HDFC Credila Financial Services Private Limited (**HDFC Credila**) on a fully diluted basis, from its promoters Mr. Ajay Bohora and Mr. Anil Bohora. Pursuant to the said acquisition, HDFC Credila has become a wholly-owned subsidiary of the Corporation.

vi. Acquisition of equity stake in Yes Bank Limited:

During the audit period, the Corporation acquired 100,00,00,000 (One hundred crore) equity shares of INR 2 each representing 7.97% of the post issue equity share capital of the YES Bank Limited, pursuant to the Scheme of Reconstruction of Yes Bank Limited proposed by the Reserve Bank of India under Section 45 of the Banking Regulation Act, 1949. As per the Scheme of Reconstruction, 75% of the investment by the Corporation would be locked in for 3 years.

For **M/s Vinod Kothari & Company**
Practising Company Secretaries
Firm Registration No.: P1996WB042300

Vinita Nair
Senior Partner
Membership No.: F10559
CP No.: 11902
UDIN: F010559B000259291

MUMBAI
May 20, 2020

Annex to Directors' Report - 6

SECRETARIAL COMPLIANCE REPORT

SECRETARIAL COMPLIANCE REPORT OF HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED FOR THE YEAR ENDED MARCH 31, 2020

We, M/s. Vinod Kothari & Company, have examined:

(a) all the documents and records made available to us and explanation provided by Housing Development Finance Corporation Limited ("the listed entity"),

(b) the filings/submissions made by the listed entity to the stock exchanges,

(c) website of the listed entity,

(d) any other document/filing, as may be relevant, which has been relied upon to make this certification, for the year ended March 31, 2020 ("Review Period") in respect of compliance with the provisions of:

(a) the Securities and Exchange Board of India Act, 1992 ("SEBI Act") and the Regulations, circulars, guidelines issued thereunder; and

(b) the Securities Contracts (Regulation) Act, 1956 ("SCRA"), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India ("SEBI");

The specific Regulations, whose provisions and the circulars/guidelines issued thereunder, have been examined, include, to the extent applicable:-

(a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

(b) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(c) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

(d) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

(e) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(f) The Securities and Exchange Board of India (Intermediaries) Regulations, 2008;

(g) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993;

(h) Securities and Exchange Board of India (Debenture Trustee) Regulations, 1993 (in relation to obligations of Issuer Company);

and circulars/ guidelines issued thereunder;

and based on the above examination, We hereby report that, during the Review Period:

(a) The listed entity has complied with the provisions of the above Regulations and circulars/guidelines issued thereunder, except in respect of matters specified below:-

Sr. No.	Compliance Requirement (Regulations/circulars/ guidelines including specific clause)	Deviations	Observations/Remarks of the Practicing Company Secretary
None			

(b) The listed entity has maintained proper records under the provisions of the above Regulations and circulars/ guidelines issued thereunder insofar as it appears from our examination of those records.

(c) The following are the details of actions taken against the listed entity/~~its promoters~~ *(the listed entity does not have an identifiable promoter)*/directors/material subsidiaries either by SEBI or by Stock Exchanges *(including under the Standard Operating Procedures issued by SEBI through various circulars)* under the aforesaid Acts/ Regulations and circulars/guidelines issued thereunder:

Sr. No.	Action taken by	Details of violation	Details of action taken E.g. fines, warning letter, debarment, etc.	Observations/remarks of the Practicing Company Secretary, if any.
None				

(d) The listed entity has taken the following actions to comply with the observations made in previous reports:

Sr. No.	Observations of the Practicing Company Secretary in the previous reports	Observations made in the secretarial compliance report for the year ended	Actions taken by the listed entity, if any	Comments of the Practicing Company Secretary on the actions taken by the listed entity
None				

(e) The listed entity has complied with the provisions of SEBI Circular CIR/CFD/CMD1/114/2019 dated October 18, 2019, in terms of Para 6(A) and 6(B) of the said circular and has suitably modified the terms of appointment of its statutory auditors vide addendum letter dated November 29, 2019.

For **M/s Vinod Kothari & Company**
Practising Company Secretaries

Vinita Nair
Senior Partner
Membership No.: F10559
C P No.: 11902
UDIN: F010559B000259302

MUMBAI
May 20, 2020

Certificate of Non-Disqualification of Directors

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

[pursuant to Regulation 34(3) and Schedule V Para-C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To,
The Members of
Housing Development Finance Corporation Limited
Ramon House, 169, Backbay Reclamation,
H T Parekh Marg, Churchgate,
Mumbai - 400 020

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Housing Development Finance Corporation Limited having CIN L70100MH1977PLC019916 and having registered office at Ramon House, 169, Backbay Reclamation, H. T. Parekh Marg, Churchgate, Mumbai- 400 020 (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C clause (10)(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company & its officers, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ended on 31st March, 2020 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.

Sr. No.	Name of Director	DIN
1.	Deepak Shantilal Parekh	00009078
2.	Nasser Mukhtar Munjee	00010180
3.	Jamshed Jiji Irani	00311104
4.	Upendra Kumar Sinha	00010336
5.	Jalaj Ashwin Dani	00019080
6.	Bhaskar Ghosh	06656458
7.	Ireena Vittal	05195656
8.	Vedanthachari Srinivasa Rangan	00030248
9.	Renu Sud Karnad	00008064
10.	Keki Minoo Mistry	00008886

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **N. L. Bhatia & Associates**
Practicing Company Secretaries
UIN: P1996MH055800
UDIN: F001176B000244672

N. L. Bhatia
(Managing Partner)
FCS: 1176
CP. No.: 422

MUMBAI
May 15, 2020

Compliance Certificate on Corporate Governance

TO THE MEMBERS OF HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

We have examined the compliance of conditions of Corporate Governance by Housing Development Finance Corporation Limited ("the Corporation") for the year ended on 31st March, 2020, as stipulated in chapter IV of The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Corporation for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the Corporation.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Corporation has complied with the conditions of Corporate Governance as specified in chapter IV of the Listing Regulations.

We further state that such compliance is neither an assurance as to the future viability of the Corporation nor the efficiency or effectiveness with which the Management has conducted the affairs of the Corporation.

For **Bhandari & Associates**
Company Secretaries

S. N. Bhandari
Partner
FCS No.: 761
CP No.: 366
UDIN: F000761B000277389

MUMBAI
May 25, 2020

Report of the Directors on Corporate Governance

The responsibility of boards and corporate governance practices adopted by them continue to evolve and increase. The entire gamut of how stakeholders are defined has widened over the years. Boards have become more answerable to their stakeholders, leading to increased transparency and overall effectiveness.

Boards are operating under far greater scrutiny than ever before. This is against a backdrop of increased economic uncertainty, volatile capital markets, cyber security threats, disruptive technologies and heightened shareholder activism.

The criticality of having robust risk management frameworks cannot be undermined. Boards are being tested on their preparedness to tackle black swan events or *'unknown unknowns'* and onslaught of the novel coronavirus (COVID-19) pandemic is a case in point. Investors are assessing boards on their coping mechanisms and agility to confront unprecedented outcomes. Organisations are being tested on the adaptability of their business models and their ability to expand their risk management horizons.

It is particularly in the times of crises that investors gravitate to companies that have well-fortified balance sheets and prudent business practices. Companies that have the pillars of environmental, social and governance (ESG) norms ingrained in their organisational strategy are better equipped to protect themselves and their stakeholders in challenging times.

Philosophy on Corporate Governance

The Corporation has imbibed a philosophy of following robust corporate governance practices and accountability. The Corporation strives to adopt policies and practices that meet the highest ethical standards. Commitment to good governance has a distinctive competitive advantage, enhances reputation and creates long-term sustainability.

The Corporation's guiding principle is that the strong relationship between culture and strategy will consistently produce improved financial performance, better employee engagement, ethical behaviour and stakeholder satisfaction.

During the year, the Corporation was awarded the 'Best Corporate Governance – Financial Services – Asia 2019' at the Ethical Boardroom Corporate Governance Awards, 2019. The Corporation was also felicitated under the 'Leadership' category in the Corporate Governance Scorecard, 2019, which is a joint initiative by BSE Limited, International Finance Corporation and Institutional Investor Advisory Services. The 'Leadership' grade is the highest amongst the governance categories.

The Corporation's board has played a vital role in guiding the evolution of culture and values in line with the changing times and the external environment. The board recognises its responsibilities and stewardship role.

Though the impact of COVID-19 began to play out only towards the last few days of the financial year under review, given the uncertainty of the duration of the health pandemic and the resultant devastation on economies and businesses across the globe, the Board of Directors unanimously felt that these challenging times call for austerity measures and personal sacrifice at every level and across every function of the Corporation.

Since its inception in 1977, the Corporation has had an unblemished record of never enforcing layoffs or downsizing its employees. The Corporation stands resolute in continuing this stance. Yet, across the organisation, there is a recognition of the need to be sensitive, share the pain and protect the interests of all its stakeholders.

The Nomination and Remuneration Committee of Directors at its meeting held on May 7, 2020 and the Board of Directors at its meeting held on May 25, 2020 reviewed the remuneration policy of the Corporation. Towards this end, the remuneration of the executive directors in FY21 and commission payable to them for FY20 stands frozen at previous year levels. Further, the board reversed its earlier decision during the year to increase commission payable to independent directors. Thus, commission payable to independent directors stands frozen at the previous year's level. The commission payable to the Chairman of the Corporation also stands unchanged at previous year's level. The remuneration policy will be reviewed based on evolving conditions and the overall performance of the Corporation.

The Corporation has complied with the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 and the applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

Board of Directors

Composition

The Board of Directors comprises ten members. There are seven non-executive directors including the Chairman of the Corporation. The three whole-time directors include the Vice-Chairman & Chief Executive Officer (CEO), the Managing Director and the Executive Director & Chief Financial Officer (CFO). Of the seven non-executive directors, six are independent directors. The composition of the board is in conformity with the Listing Regulations and Companies Act, 2013.

The role of the chairperson and the CEO are distinct and separate.

None of the directors are related to each other. All the directors of the Corporation have confirmed that they satisfy the fit and proper criteria as prescribed under the applicable regulations.

In the opinion of the board, the independent directors fulfil the criteria prescribed for an independent director as stipulated in Regulation 16(1)(b) of the Listing Regulations and Section 149(6) of the Companies Act, 2013 and are independent of the management of the Corporation.

All the directors of the Corporation have confirmed that they are not debarred from holding the office of director by virtue of any order by SEBI or any other authority. The directors have ascertained that neither they nor any other company on which they serve as directors have been identified as a wilful defaulter.

Brief profiles of the directors, along with their directorships in other Indian listed companies are set out elsewhere in the annual report.

Details of the Board of Directors in terms of their directorships/memberships in committees of public companies as at the date of this report are as under:

Sr. No.	Name of Director	Age	Category	Number of Directorships[1]			Number of committees[2]	
				HDFC & Group Companies	Other Companies	Total	Member	Chairperson
1	Mr. Deepak S. Parekh (Chairman)	75	Non-Executive Non-Independent	4	2	6	2	0
2	Dr. J. J. Irani	83	Independent	1	0	1	1	1
3	Mr. Nasser Munjee	67	Independent	1	6	7	5	3
4	Mr. U. K. Sinha	68	Independent	1	3	4	5	2
5	Mr. Jalaj Dani	50	Independent	1	6	7	4	2
6	Dr. Bhaskar Ghosh	60	Independent	1	0	1	1	0
7	Ms. Ireena Vittal	51	Independent	1	3	4	4	0
8	Mr. V. Srinivasa Rangan (Executive Director)	60	Whole-Time	6	3	9	6	0
9	Ms. Renu Sud Karnad (Managing Director)	67	Whole-Time	5	4	9	8	3
10	Mr. Keki M. Mistry (Vice Chairman & CEO)	65	Whole-Time	4	3	7	8	3

[1]Excludes directorships in private companies, foreign companies and companies under Section 8 of the Companies Act, 2013.
[2]Includes Audit Committee and Stakeholders Relationship Committee in all public limited companies.
The number of directorships held by all directors as well as their membership/chairmanship in committees is within the prescribed limits under the Companies Act, 2013 and Listing Regulations.

Responsibilities of the Board

The Board of Directors represents the interests of the Corporation's stakeholders in optimising long-term value by providing the management with guidance and strategic direction. The board's mandate is to oversee the Corporation's strategic direction, review corporate performance, assess the adequacy of risk management and mitigation measures, evaluate internal financial controls, authorise and monitor strategic investments, facilitate and review board and senior management succession planning, oversee regulatory compliance and safeguard the interests of all stakeholders.

The responsibilities of the board also include ensuring that the Corporation is transparent in all its dealings with its stakeholders, overseeing the effectiveness of key executives of the Corporation and aligning the remuneration policy with the long-term interests of the Corporation and its stakeholders.

Directors are expected to attend all the board/committee meetings. Video conferencing facility is also provided for directors who are unable to attend any meeting in person.

The Corporation has an appropriate directors' & officers' liability insurance policy, which provides indemnity in respect of liabilities incurred as a result of their office.

All board members ensure that their work in other capacities does not impinge on their fiduciary responsibilities as directors of the Corporation.

Board Expertise and Attributes

The board comprises directors that bring a wide range of skills, expertise and experience which enhances overall board effectiveness.

The Nomination and Remuneration Committee of Directors assess and recommend to the board, core skill sets required by directors to enable the board to perform its oversight function effectively. These span across parameters such as industry experience, technical/strategic competencies, behavioural and personal attributes and other skills.

The Nomination and Remuneration Committee has identified the skills/expertise (see table below) required by the directors of the Corporation, keeping in mind the business requirements. These will be periodically re-assessed to meet evolving changes and requirements of the Corporation.

The Corporation has mapped the skills possessed by the directors vis-à-vis those identified, based on the information provided by the directors. A tabular representation of the same is as below:

Skill Areas	Mr. Deepak S. Parekh	Dr. J. J. Irani	Mr. Nasser Munjee	Mr. U. K. Sinha	Mr. Jalaj Dani	Dr. Bhaskar Ghosh	Ms. Ireena Vittal	Mr. V. Srinivasa Rangan	Ms. Renu Sud Karnad	Mr. Keki M. Mistry
Industry experience	✓		✓		✓			✓	✓	✓
Leadership and strategic planning	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Financial expertise	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Business operations	✓		✓		✓			✓	✓	✓
Consumer behaviour, sales & marketing	✓	✓			✓	✓	✓		✓	✓

Skill Areas	Mr. Deepak S. Parekh	Dr. J. J. Irani	Mr. Nasser Munjee	Mr. U. K. Sinha	Mr. Jalaj Dani	Dr. Bhaskar Ghosh	Ms. Ireena Vittal	Mr. V. Srinivasa Rangan	Ms. Renu Sud Karnad	Mr. Keki M. Mistry
Information Technology & cyber security	✓				✓	✓			✓	
Corporate governance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Risk management	✓		✓	✓	✓	✓		✓	✓	✓
Legal and regulatory compliance	✓			✓				✓	✓	
Public policy development experiences	✓	✓		✓			✓			✓

Role of Independent Directors

Independent directors play a key role in the decision-making process of the board as they approve the overall strategy of the Corporation and oversee performance of the management. The independent directors are committed to acting in what they believe is in the best interest of the Corporation and its stakeholders.

The independent directors bring to the Corporation a wide range of experience, knowledge and judgment as they draw on their varied proficiencies. This wide knowledge of both, their field of expertise and boardroom practices brings in varied, unbiased, independent and experienced perspectives. All independent directors have committed and allocated sufficient time to perform their duties effectively.

All the independent directors of the Corporation have confirmed that they have registered themselves in the databank created for independent directors, well within the stipulated time frame.

Role of Executive Directors

Mr. Keki M. Mistry, Vice Chairman & CEO, Ms. Renu Sud Karnad, Managing Director and Mr. V. Srinivasa Rangan, Executive Director are responsible for the day-to-day administration and operations of the Corporation.

Mr. Mistry is responsible for the overall functioning of the Corporation, its business strategy, including the strategy on investments in the Corporation's group companies and liaisoning with investors.

Ms. Renu Sud Karnad is responsible for the lending operations of the Corporation, both individual and non-individual. She also oversees the functions of human resources, communication and brand strategy.

Mr. V. Srinivasa Rangan is the chief financial officer of the Corporation and is responsible for mobilisation of funds for the Corporation, investments, asset liability management and financial accounts.

Process for appointment of Independent Directors

The Corporation has a board approved policy on Appointment of Directors and Members of Senior Management and a policy on Fit and Proper Criteria for Directors, based on which an existing director whose appointment is intended to be continued and a new director proposed to be appointed is evaluated.

The Nomination and Remuneration Committee of Directors recommends and the board approves the appointment/re-appointment of independent directors. The process for re-appointment of independent directors entails a detailed evaluation of the contributions made by the existing directors. New directors are inducted after assessing skill requirements of the board and identifying areas of expertise which would be beneficial for the Corporation.

The terms and conditions of appointment of the independent directors, along with a sample letter have been placed on the Corporation's website, *www.hdfc.com.*

Familiarisation Programme

The Corporation conducts familiarisation programmes for its directors from time to time. The familiarisation programme ensures that the non-executive directors are updated on the business and regulatory environment and the overall operations of the Corporation. This enables the non-executive directors to make better informed decisions in the interest of the Corporation and its stakeholders.

The Corporation has also provided directors with a reference manual which *inter alia* covers the roles, functions, powers and duties of the directors, disclosures and declarations to be submitted by directors and various codes and policies of the Corporation. The board also meets with the CEOs and senior management of key subsidiary companies and is briefed on the performance of these companies. A monthly compendium containing updates about the Corporation and its subsidiary companies, synopsis of relevant regulatory changes and case laws is circulated to all the directors for their ready reference.

The whole-time directors and senior management conduct orientation programmes for independent directors to familiarise them with the Corporation, its subsidiary and associate companies, the management, key areas of business and regulations.

An overview of the familiarisation programme during the year has been placed on the Corporation's website.

Board Meetings

The meetings of the Board of Directors are normally held at the Corporation's corporate office in Mumbai. Meetings are generally scheduled well in advance and the notice of each board meeting is given in writing to each director. The board meets at least once a quarter to review the quarterly performance and financial results of the Corporation. Members of the board are free to convene a board meeting at any time and shall inform the company secretary regarding the same.

The company secretary in consultation with the Chairman and the whole-time directors prepares a detailed agenda for the meetings. The board is provided with the relevant information as stipulated in the Listing Regulations. The board members have access to all information of the Corporation. The board papers, agenda and explanatory notes are circulated to the directors well in advance and are made available in a digital form. The members of the board are free to recommend inclusion of any matter in the agenda for discussion. The Chairman moderates the overall discussion to arrive at a conclusive and consensus opinion and also summarises the discussions to ensure that members are in agreement with the board's view on the matters discussed.

Senior management is invited to attend the board meetings so as to provide additional inputs on the matters being discussed by the board. At the board meetings, the whole-time directors and senior management make presentations on various matters including the financial results, operations of the Corporation, risk management, liquidity, asset-liability management, the economic and regulatory environment, investors' perceptions, internal audit function or any other matter which the board needs to be apprised of. The CEOs and other senior executives of the subsidiaries of the Corporation are invited to make presentations on various matters concerning the respective companies including financial results, operational highlights, risk management and regulatory environment.

The minutes of each board/committee meetings are finalised and recorded in the minutes book.

During the year under review, the board met six times. The meetings were held on May 13, 2019, August 2, 2019, November 4, 2019, December 17, 2019, January 27, 2020 and March 13, 2020. The Corporation endeavours that the gap between the approval of financial results by the Audit and Governance Committee and the board is kept to minimum, as required under the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015. The attendance of the directors at the above-mentioned board meetings and the 42nd Annual General Meeting (AGM) held on August 2, 2019, along with the sitting fees paid to them are listed below:

Directors	Board meetings			Attendance at the 42nd AGM
	Number of meetings attended	% of meetings attended	Sitting fees paid (₹)	
Mr. Deepak S. Parekh (Chairman)	6	100%	6,00,000	Yes
Mr. Nasser Munjee[1]	5	83%	5,00,000	Yes
Dr. J. J. Irani	6	100%	6,00,000	Yes
Mr. U. K. Sinha	6	100%	6,00,000	Yes
Mr. Jalaj Dani	6	100%	6,00,000	Yes
Dr. Bhaskar Ghosh	6	100%	6,00,000	Yes
Ms. Ireena Vittal	6	100%	6,00,000	Yes
Mr. V. Srinivasa Rangan (Executive Director)	6	100%	-	Yes
Ms. Renu Sud Karnad (Managing Director)	6	100%	-	Yes
Mr. Keki M. Mistry (Vice Chairman & CEO)	6	100%	-	Yes

[1] *Leave of absence was granted to Mr. Nasser Munjee who was unable to attend one of the board meetings.*

The board met on May 25, 2020, to *inter alia* approve the audited annual financial results of the Corporation and the audited consolidated financial results for the year ended March 31, 2020.

Committees of the Board

To enable better and more focused attention on the affairs of the Corporation, the board delegates particular matters to committees of the board set up for the purpose. These committees prepare the groundwork for decision-making and report the same to the board at the subsequent meetings. There have been no instances wherein the board has not accepted the recommendations of any committee.

The composition and functioning of these board committees is in compliance with the applicable provisions of the Companies Act, 2013, Listing Regulations and the corporate governance directions issued by National Housing Bank.

Current Board Committees and their Composition

Directors	Committees					
	Audit & Governance	Nomination & Remuneration	Stakeholders Relationship	Risk Management[1]	IT Strategy[1]	Corporate Social Responsibility
Mr. Deepak S. Parekh						C
Dr. J. J. Irani		C	C			
Mr. Nasser Munjee	M	M		C		
Mr. U. K. Sinha		M				
Mr. Jalaj Dani	C		M		M	M
Dr. Bhaskar Ghosh	M			M	C	
Ms. Ireena Vittal	M	M				
Mr. V. Srinivasa Rangan			M	M		M
Ms. Renu Sud Karnad				M	M	M
Mr. Keki M. Mistry				M		M

***C:** Chairperson* ***M:** Member*

[1]Also comprises senior executives of the Corporation.

Audit and Governance Committee

The Audit and Governance Committee solely comprises independent directors namely, Mr. Jalaj Dani (Chairman), Mr. Nasser Munjee, Dr. Bhaskar Ghosh and Ms. Ireena Vittal.

All the members of the committee have accounting and financial management expertise. The quorum for the meeting of the committee is two members. The company secretary is the secretary to the committee.

The terms of reference of the committee includes overseeing the Corporation's financial reporting process, disclosures of financial information, reviewing of governance practices and financial performance of the unlisted subsidiaries of the Corporation. The committee reviews the financial statements prior to recommending the same to the board for its approval.

The committee recommends to the board, the appointment or re-appointment of the statutory auditors and internal auditors of the Corporation and their remuneration. The committee and auditors discuss the nature and scope of audit prior to the commencement of the audit and areas of concern, if any, arising post audit. In addition, the committee approves payment of fees for other services rendered by the statutory auditors. The committee also annually reviews with the management the performance of statutory and internal auditors of the Corporation to ensure that an objective, professional and cost-effective relationship is being maintained.

The committee's functions include reviewing the information systems audit, adequacy of the internal audit function, its structure, reporting process, audit coverage and frequency of internal audits, periodical review of the internal audit reports on compliances pertaining to Know Your Customer (KYC) norms, internal controls and other compliances, reviewing the findings of any internal investigation by the internal auditors in matters relating to suspected fraud or irregularity or failure of internal control systems of material nature and report the same to the board, oversee the vigil/whistle blower mechanism, reviewing the compliances with the guidelines on reporting and monitoring of frauds in housing finance companies issued by National Housing Bank and the Fraud Risk Management Policy of the Corporation, evaluation of internal financial controls and risk management systems adopted by the Corporation.

The committee is also responsible for reviewing the utilisation of investments made by the Corporation in/loans given by the Corporation to its subsidiary companies. It also reviews the investments made by unlisted subsidiaries on a quarterly basis.

The committee grants approval for transactions to be entered into by the Corporation with its related parties in terms of the policy on Related Party Transactions of the Corporation and the pricing policy and reviews all such transactions on a quarterly basis.

The committee reviews compliance with the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 2015 (Insider Trading Regulations) and verifies that the systems for internal control are adequate and operating effectively. The committee is also entrusted with the responsibility of reviewing instances of non-compliances with the Insider Trading Regulations and the HDFC Share Dealing Code, if any.

The committee also reviews the reports of the internal and statutory auditors and ensures that adequate follow-up action is taken by the management on observations and recommendations made by the respective auditors.

During the year, the committee *inter alia* reviewed the statement of uses/application of funds raised by issuance of securities on private placement basis, management of assets and liabilities of the Corporation, process for undertaking transactions with related parties, including the pricing policy, statement of related party transactions, risk profile of the Corporation, status of compliances with the Know Your Customer and Prevention of Money Laundering Policy, Fair Practices Code and complaints received and redressed under the Whistle Blower Policy of the Corporation. The committee reviewed the investments made by the unlisted subsidiary companies of the Corporation and their audited annual financial statements and other matters as mandated under Section 177 of the Companies Act, 2013 and Regulation 18(3) of the Listing Regulations. The committee also reviewed the functioning including governance at certain key subsidiaries of the Corporation.

The Audit and Governance Committee separately met the statutory auditors to discuss audit related issues and adequacy of financial controls.

The committee, on a quarterly basis discusses and reviews with the statutory auditors of the Corporation, the key highlights of the limited review of the unaudited financial results of the Corporation before recommending the same to the board for its approval.

During the year under review, the committee met six times. The meetings were held on May 10, 2019, August 2, 2019, November 4, 2019, December 17, 2019, January 27, 2020 and March 13, 2020. The Chairman of the committee was present at the 42nd AGM to answer shareholder queries.

The details of the attendance of the members of the committee along with sitting fees paid are listed below:

Members	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. Jalaj Dani (Chairman)	6	100%	6,00,000
Mr. Nasser Munjee	6	100%	6,00,000
Dr. Bhaskar Ghosh	6	100%	6,00,000
Ms. Ireena Vittal	6	100%	6,00,000

The committee met on May 25, 2020 to *inter alia* review the audited annual financial results of the Corporation and the audited consolidated financial results for the year ended March 31, 2020 and recommended the same to the board for its approval.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee solely comprises independent directors. The present members of the committee are Dr. J. J. Irani (Chairman), Mr. Nasser Munjee, Mr. U. K. Sinha and Ms. Ireena Vittal.

The terms of reference of the committee *inter alia* include formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board a policy relating to the remuneration of the directors, key managerial personnel, senior management and other employees of the Corporation as well as a policy on board diversity. The committee formulates the criteria for evaluation of the Chairman, independent directors, executive directors, the board as a whole and board committees.

The committee's function includes identifying persons who are qualified to become directors of the Corporation, recommending their appointment or re-appointment of the existing directors to the board, ensuring that such persons meet the relevant criteria prescribed under applicable laws including qualification, area of expertise and experience, track record and integrity. The committee is entrusted with reviewing and approving the remuneration payable to the executive directors of the Corporation within the overall limits as approved by the shareholders and commission payable to the Chairman of the Corporation. The committee also recommends to the board, payment of all forms of remuneration to senior management of the Corporation.

The committee's terms of reference also include formulation and administration of the employee stock option schemes, including granting of options to eligible employees and directors under these schemes.

The committee is cognisant of the need to strike a judicious balance between compensating executive directors and senior management – especially in the current times when management teams need to demonstrate substantial qualities of leadership and resilience in navigating through unprecedented challenges, whilst also being sensitive in meeting shareholder expectations on remuneration parameters.

During the year under review, the committee met four times. The meetings were held on May 13, 2019, August 2, 2019, December 17, 2019 and March 13, 2020. The Chairman of the committee was present at the 42nd AGM to answer shareholder queries.

The details of the attendance of the members of the committee along with sitting fees paid are listed below:

Members	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Dr. J. J. Irani (Chairman)	4	100%	4,00,000
Mr. Nasser Munjee[1]	3	75%	3,00,000
Mr. U. K. Sinha	4	100%	4,00,000
Ms. Ireena Vittal[2]	3	100%	3,00,000

[1] *Leave of absence was granted to Mr. Nasser Munjee, who was unable to attend the meeting.*

[2] *Ms. Ireena Vittal was appointed as a member of the committee post the meeting held on May 13, 2019.*

Stakeholders Relationship Committee

The Stakeholders Relationship Committee comprises majority of independent directors. The present members of the committee are Dr. J. J. Irani (Chairman), Mr. Jalaj Dani and Mr. V. Srinivasa Rangan.

The terms of reference of the committee *inter alia* include reviewing mechanisms adopted by the Corporation to redress shareholder, depositor and debenture holder grievances, the status of litigations filed by/against shareholders of the Corporation, reviewing the internal/secretarial audit report and reviewing the initiatives taken to reduce the quantum of unclaimed dividends and enable effective exercise of voting by shareholders. The committee oversees adherence to service standards and standard operating procedures pertaining to investor services. The committee reviews the status of compliances with applicable corporate and securities laws.

During the year, the committee reviewed various initiatives taken by the Corporation in ensuring timely receipt of annual report by the shareholders and effective e-voting by shareholders which was done by way of sending reminders (through SMS and e-mails) prior to the commencement of e-voting period and also during the e-voting period.

During the year under review, the committee met four times. The meetings were held on April 26, 2019, August 1, 2019, November 4, 2019 and January 27, 2020.

The Chairman of the committee was present at the 42nd AGM to answer shareholder queries.

The details of the attendance of the members of the committee along with sitting fees paid are listed below:

Members	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Dr. J. J. Irani (Chairman)	4	100%	4,00,000
Mr. Jalaj Dani	4	100%	4,00,000
Mr. V. Srinivasa Rangan	4	100%	-

Risk Management Committee

The Risk Management Committee (RMC) comprises majority of directors, which includes two independent directors, three whole-time directors and members of executive management. The committee is chaired by an independent director, Mr. Nasser Munjee.

During the year, the Corporation appointed Mr. Mathew Joseph, Member of Executive Management as the Chief Risk Officer (CRO) who is *inter alia* responsible for identifying, monitoring and overseeing risks, including potential risks to the Corporation and reporting of the same to the RMC. Necessary measures have been put in place by the board to safeguard the independence of the CRO. In accordance with the norms set out by NHB, the CRO has vetted all credit products (retail and wholesale) offered by the Corporation from the perspective of inherent and control risks. The CRO did not have any reporting relationship with business verticals of the Corporation or business targets.

The role of the RMC is to ensure that risks impacting the business of the Corporation are identified and appropriate measures are taken to mitigate the same. The Corporation has adopted an integrated risk management framework. The framework lays down the procedures for identification of risks, assessment of its impact on the business of the Corporation and the efficacy of the measures taken to mitigate the same. The risks are evaluated at an inherent and residual level, based on the impact of such risks and the likelihood of its occurrence. The RMC evaluates and monitors technological and cyber security risks associated with the business of the Corporation. The RMC has put in place mitigation measures to respond to unforeseen crisis events, assessed business continuity plans and fall back mechanisms.

The regional business heads and the functional heads of the Corporation are responsible for identifying, monitoring and periodically re-evaluating the risk profile of their respective region/function, which is then reviewed by the internal risk management committee.

The internal risk management committee comprising executive directors and members of senior management meets periodically. This committee is responsible to ensure that appropriate methodology, processes and systems are in place to monitor, identify and review risks associated with the business of the Corporation.

The internal risk management committee apprises the RMC on key risks associated with the business, its root causes and measures taken to mitigate the same. The RMC in turn apprises the Audit and Governance Committee and the board which endorses and approves the overall integrated risk management strategy of the Corporation.

In order to further improve and strengthen risk management and to ensure that emerging risks are adequately covered and the risk management framework and infrastructure is aligned to leading global practices and evolving regulatory requirements, the Corporation, during the year appointed a leading consultancy firm to conduct a gap assessment and benchmarking of the existing risk management framework, risk organisation structure, coverage of risks relevant to the business, impact assessment of COVID-19 on the Corporation and provide recommendations and a roadmap for such implementation.

The Board of Directors reviewed the risk profile of the Corporation and the efficacy of the measures in place to mitigate the risks. The board was of the opinion that there were no key risks immediately foreseeable that could threaten the existence of the Corporation.

During the year under review, the RMC met twice on November 4, 2019 and March 13, 2020. The details of the attendance of the members of the committee along with sitting fees paid are listed below:

Members	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. Nasser Munjee (Chairman)	2	100%	2,00,000
Dr. Bhaskar Ghosh	2	100%	2,00,000
Mr. Keki M. Mistry	2	100%	-
Ms. Renu Sud Karnad	2	100%	-
Mr. V. Srinivasa Rangan	2	100%	-
Mr. Conrad D'Souza[1]	2	100%	-
Ms. Madhumita Ganguli[1]	2	100%	-
Mr. Suresh Menon[1]	2	100%	-

[1] *Member of Executive Management.*

Corporate Social Responsibility Committee

The Corporate Social Responsibility (CSR) committee comprises the Chairman, one independent director and three whole-time directors of the Corporation. The present members are Mr. Deepak S. Parekh (Chairman), Mr. Jalaj Dani, Mr. Keki M. Mistry, Ms. Renu Sud Karnad and Mr. V. Srinivasa Rangan.

The terms of reference of the committee *inter alia* include formulation and implementation of CSR policy, approval of CSR activities, recommending the amount of expenditure to be incurred on CSR activities to the board and review and approval of projects/programmes to be supported by the Corporation. Details of CSR activities form part of the Directors' Report.

During the year under review, the committee met three times. The meetings were held on May 10, 2019, November 4, 2019 and March 13, 2020.

The details of the attendance of the members of the committee are listed below:

Members	Number of meetings attended	% of attendance
Mr. Deepak S. Parekh (Chairman)	2	67%
Mr. Jalaj Dani	3	100%
Mr. Keki M. Mistry	3	100%
Ms. Renu Sud Karnad	3	100%
Mr. V. Srinivasa Rangan	3	100%

- *The non-executive directors have waived receipt of sitting fees for attending the meetings of the CSR Committee.*
- *Leave of absence was granted to Mr. Deepak S. Parekh who could not attend one of the committee meetings.*

Detailed terms of reference of the above-mentioned committees are placed on the website of the Corporation.

Information Technology (IT) Strategy Committee

The IT Strategy Committee comprises two independent directors, a whole-time director and few senior officials of the Corporation. The committee is chaired by an independent director, Dr. Bhaskar Ghosh.

Mr. R. Arivazhagan – Member of Executive Management is the Chief Information Technology Officer of the Corporation.

The terms of reference of the committee *inter alia* include approving the IT strategy and policy documents, assessing the implementation of the IT plan, reviewing IT investment requirements and overseeing the execution of IT related policies on governance, cyber security, business continuity and IT outsourcing.

During the year under review, the IT Strategy Committee met twice, on July 25, 2019 and December 17, 2019. The independent directors were paid ₹1 lac each as sitting fees per meeting.

Meeting of Independent Directors

The independent directors convene separate meetings to discuss various issues at their discretion. The objective of such meetings is for the independent directors to evaluate the performance of the Chairman, the whole-time directors and the overall performance of the board.

The meeting of independent directors was held on March 13, 2020. Mr. U. K. Sinha was appointed Chairman for the meeting. All the independent directors attended the meeting and were paid sitting fees of ₹1 lac each.

At the meeting, the independent directors assessed the quality, quantity and timeliness of the flow of information between the Corporation’s management and the board.

Remuneration Policy

The remuneration policy, including the criteria for remunerating non-executive directors and whole-time directors is recommended by the Nomination and Remuneration Committee and approved by the board. The key objective of the remuneration policy is to ensure that the remuneration is aligned to the overall performance of the Corporation. The policy ensures that it is fair and reasonable to attract and retain necessary talent, is linked to attaining performance benchmarks and involves a judicious balance of fixed and variable components.

The remuneration to the members of executive management and the company secretary is recommended by the Nomination and Remuneration Committee and approved by the board of the Corporation.

The remuneration policy is placed on the website of the Corporation. The remuneration paid to the directors is in line with the remuneration policy of the Corporation.

Remuneration of Directors

Non-Executive Directors

The remuneration for non-executive directors consists of sitting fees and commission. The payment of the annual commission to non-executive directors is based on the performance of the Corporation as well as that of the individual non-executive director. The commission payable to non-executive directors is approved by the board and is within the overall limits as approved by the shareholders of the Corporation.

Details of the remuneration and shareholding of non-executive directors are provided in Form No. MGT-9 given elsewhere in the annual report.

Executive Directors

The elements of the remuneration package of executive directors comprise salary, commission, perquisites (equivalent to their respective annual salary), other benefits and allowances which include telephones for the Corporation's business, house rent allowance or house maintenance allowance, leave travel allowance, leave encashment, contributions to provident funds, superannuation funds and provision towards post-retirement pension schemes of the Corporation, other post-retirement benefits in the form of medical benefits and use of the Corporation's car as per the schemes framed and/or to be framed by the Corporation and as approved by the board/Nomination and Remuneration Committee, from time to time and all other benefits as are provided to the senior employees of the Corporation. The same is decided by the Nomination and Remuneration Committee within the overall limits as approved by the shareholders at the AGMs.

The annual increments of the executive directors are linked to their performance and are decided by the Nomination and Remuneration Committee. Service contracts and the notice period are as per the terms of agreement entered into by each whole-time director with the Corporation.

The remuneration contracts of the executive directors do not have *malus* or clawback provisions. No severance fee is payable by the Corporation on termination of these contracts.

Details of remuneration paid/payable to the whole-time directors during the year under review are provided in Form No. MGT-9.

During the year, Mr. Keki M. Mistry received an amount of ₹ 1.10 crore, Ms. Renu Sud Karnad received ₹ 0.94 crore and Mr. V. Srinivasa Rangan received ₹ 0.61 crore towards fees from subsidiary companies. The whole-time directors of the Corporation have been appointed by the shareholders on a contractual basis for a fixed tenure. They are however liable to retire by rotation.

Evaluation of the Board and Directors

As part of the evaluation exercise carried out in the previous year, the board had expressed the need to interact with a wider group of senior management, including two or three levels below the board. The objective was two-fold – to assess pipeline talent within the organisation and for the directors to get a broader perspective of certain critical functions across the organisation. Accordingly, during the year, a number of senior officials interacted with the board and also made presentations and shared their perspectives on their respective areas of work.

During the year, the evaluation of the performance of the board as a whole and its committees and the performance of directors was conducted internally through an online module after taking cognisance of the guidance note on board evaluation issued by SEBI.

Dr. J. J. Irani, Chairman of the Nomination and Remuneration Committee, shared the feedback received on board evaluation with members of the committee and other independent directors at their respective meetings.

The whole-time directors and the Chairman of the Corporation were evaluated based on various quantitative and qualitative criteria, including knowledge and competency, commitment and contribution, leadership, governance and other parameters. The directors also undertook peer evaluation with a view to have a more comprehensive board evaluation process.

The overall performance evaluation exercise was completed to the satisfaction of the board. As an outcome of this exercise, the board suggested offsite meetings which would extend over a longer duration and would also facilitate deeper interaction with senior management in both, a formal and informal atmosphere. The evaluation exercise acknowledged the steady progress made by the Corporation in its IT strategy, but emphasised on needing to be more future ready and creative in re-imagining doing business from a digitalised perspective. The board also emphasised the need for the Corporation to revisit and assess its medium and long-term strategy.

Investor Grievances

Mr. Ajay Agarwal, company secretary of the Corporation is the compliance officer for the purpose of the Listing Regulations.

During the year, the Corporation received 4 investor complaints and all the complaints were resolved to the satisfaction of the shareholders. There were no investor complaints pending as at March 31, 2020.

Presently, the Corporation is a party to litigations (including certain cases in which the Corporation has been impleaded as a necessary party to such litigations) relating to disputes over title to shares. The Corporation is not in agreement with the claims made by the aggrieved parties and the litigations are not material in nature.

Subsidiary Companies

HDFC Life Insurance Company Limited is a material listed subsidiary of the Corporation in terms of the provisions of the Listing Regulations. HDFC ERGO General Insurance Company Limited is an unlisted material subsidiary of the Corporation.

During the year, the Corporation acquired 51.16% of the equity share capital of HDFC ERGO Health Insurance Limited (formerly Apollo Munich Health Insurance Company Limited) and accordingly, it became a subsidiary of the Corporation. Further, during the year, GRUH Finance Limited, the erstwhile subsidiary of the Corporation was merged with Bandhan Bank Limited and was consequently dissolved without being wound up.

Each quarter, the Audit and Governance Committee reviews the utilisation of loans given by the Corporation to and investments made by the Corporation in the subsidiary companies. The committee also reviews the audited annual financial statements of subsidiary companies and investments made by unlisted subsidiary companies on a quarterly basis. Further, the committee periodically reviews the performance including governance practices followed by key subsidiary companies.

The minutes of the board meetings of the unlisted subsidiary companies of the Corporation and significant transactions and arrangements entered into by all the unlisted subsidiary companies are placed before the board on a quarterly basis. The board is periodically apprised of the performance of key subsidiary companies, including material developments. The board on a quarterly basis is also apprised on the compliance of laws applicable to the subsidiaries (including step-down subsidiaries) of the Corporation based on the certificates issued by the respective companies.

Code of Conduct and Management of Conflict of Interest

The code of conduct for non-executive directors, whole-time directors and members of senior management of the Corporation are in conformity with the requirements of the Listing Regulations and are placed on the website of the Corporation. The directors and members of senior management have affirmed their adherence to the provisions of the respective codes.

The Corporation also has a board approved policy on management of conflict of interest to provide guidance to the directors and employees of the Corporation on managing situations of conflict of interest which may arise from time to time, whilst performing a designated function. The policy is placed on the website of the Corporation.

During the year, the board approved internal guideposts for directors and senior executives to adhere to whilst dealing with situations of conflict of interest. This was done keeping in mind the need to constantly reassess and adopt best governance practices.

The code of conduct of the Corporation reflects the Corporation's long-standing commitment of doing business with integrity and zero tolerance for corrupt practices in any form, including bribery. The code of conduct is placed on the website of the Corporation.

Share Dealing Code

Consequent to the amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015 effective April 1, 2019 as well as notification of the Guidance Note on Prohibition of Insider Trading by the Institute of Company Secretaries of India, the Corporation's Share Dealing Code was revised to align the same with the regulations and guidance note.

The code is applicable to all directors, employees, their immediate relatives and other connected persons. These identified persons are prohibited from trading in the securities of the Corporation during the restricted trading periods notified by the Corporation, from time to time and whilst in possession of any unpublished price sensitive information relating to the Corporation.

Dealing with Unpublished Price Sensitive Information

The policy on Determination of Material Events and Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information are placed on the website of the Corporation and deal with the adequate and timely disclosure of information and events of the Corporation.

The Corporation has an Investor Relations Policy which *inter alia* lays down the procedures and systems to ensure that unpublished price sensitive information is shared confidentially and strictly on a need to know basis.

Mr. Conrad D'Souza, Member of Executive Management, is the Chief Investor Relations Officer of the Corporation.

Transactions with Non-Executive Directors

The non-executive directors of the Corporation do not have any pecuniary relationships or transactions with the Corporation or its directors, senior management, subsidiary or associate companies, other than in the normal course of business.

Related Party Transactions

The Corporation has a board approved policy on Related Party Transactions. The policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions entered into between the Corporation and its related parties. During the year, the Policy was amended in order to bring it in line with the changes in the Companies (Meetings of Board and its Powers) Rules, 2014 and is placed on the website of the Corporation and is provided elsewhere in the Annual Report.

There were no transactions with related parties that may have potential conflict with the interest of the Corporation. Details of related party transactions entered into by the Corporation in the ordinary course of its business are included in the notes forming part of the financial statements and are also uploaded on the website of the Corporation, along with submission to stock exchanges on a half-yearly basis. Details of material related party transactions which require approval of the shareholders of the Corporation has been detailed in the notice convening the ensuing AGM.

The Audit and Governance Committee is entrusted with the task of reviewing the pricing policy of the Corporation to determine arm's length pricing for transactions to be entered by the Corporation with its related parties.

Further, there were no financial or commercial transactions by the senior management where their personal interests may have potential conflict with the interests of the Corporation.

Whistle Blower Policy

The Corporation has a board approved Whistle Blower Policy and a vigil mechanism to ensure that all employees/ directors of the Corporation work in a conducive environment and are given a platform to freely express their concerns or grievances on various matters pertaining to any malpractice, actual/suspected fraud or violation of the Corporation's code of conduct. The Corporation has a third party web-based reporting mechanism which functions independently and provides a secure and confidential platform to report genuine concerns and cases pertaining to the Corporation.

In order to ensure highest standards of governance within the Corporation, under the Whistle Blower Policy, other stakeholders including borrowers, depositors, key partners, direct selling agents and vendors can report any misconduct or act that is not in the interests of the Corporation. The policy provides that the whistleblower shall be protected against any detrimental action as a result of any allegations made in good faith. The policy is placed on the website of the Corporation.

The Audit and Governance Committee is apprised on the vigil mechanism on a periodic basis. During the year under review, 34 complaints were received under the whistle blower mechanism of the Corporation, of which 2 were relating to group companies. The Whistle Blower Committee reviewed the complaints relating to the Corporation and ascertained that none of the complaints pertains to any malpractice, fraud, violation of the Corporation's Code of Conduct, leakage of unpublished price sensitive information or abuse of power and authority by any official of the Corporation. As on date, 5 complaints are pending. While the necessary investigations in respect of the said complaints are ongoing, owing to lockdown restrictions coupled with social distancing norms, the timeline for such investigations has been slower.

During the year, no person was denied access to the Audit and Governance Committee to express concerns or reporting grievances under the Whistle Blower Policy and/or vigil mechanism.

Strictures and Penalties

During the year under review, as also during the last three years, no penalties or strictures were imposed on the Corporation by any stock exchange, SEBI or other statutory authority on matters relating to the capital markets.

Accounting Standards

The Corporation has complied with the applicable Indian Accounting Standards (Ind AS) notified by the Ministry of Corporate Affairs under Section 133 of the Companies Act, 2013. The financial statements for the year have been prepared in accordance with Schedule III to the Companies Act, 2013.

Secretarial Standards

The Corporation has complied with the applicable provisions of secretarial standards issued by the Institute of Company Secretaries of India.

Proceeds from Private Placement Issues

During the year under review, the Corporation raised an amount of ₹ 46,437 crore through secured redeemable non-convertible debentures (NCDs), issued in various tranches on a private placement basis. The funds raised from the issuance of NCDs were utilised for housing finance business requirements.

Details of all the above-mentioned issues and the end use were provided to the Audit and Governance Committee and the board on a periodic basis. Further details of the issues are provided in the Management Discussion and Analysis Report.

Shareholders

The Corporation had 4,75,106 shareholders as at March 31, 2020. The main channel of communication to the shareholders is through the annual report and quarterly financial results.

The AGM is the principal forum for interaction with shareholders, where the board answers specific queries raised by shareholders. The board acknowledges its responsibility towards its shareholders and therefore encourages open and active dialogue with all its shareholders – be it individuals, domestic institutional investors or foreign investors.

The Corporation communicates with its institutional shareholders through meetings with analysts and discussions between fund managers and management. The Corporation also participates at investor conferences and non-deal roadshows, from time to time. All interactions with institutional shareholders, fund managers and analysts are based on generally available information that is accessible to the public on a non-discriminatory basis. The presentations made to analysts and fund managers are placed on the Corporation's website. The official news releases are also displayed on the website.

Details relating to quarterly performance and financial results are disseminated to the shareholders through press releases and uploaded on the Corporation's website. The financial results are *inter alia* published in Business Standard, Business Line, The Free Press Journal and Navshakti. Further, the Corporation also publishes certain key notices in widely circulated vernacular newspapers.

A section on 'Shareholders' Information' is provided elsewhere in the annual report.

The management statement on the integrity and fair presentation of the financial statements is provided as a part of the annual report in the Management Discussion and Analysis Report.

Annual General Meetings (AGMs)

The details of the last three AGMs held at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020 are given below:

Financial Year	Meeting	Date	Time	Number of Special Resolutions passed
2016-17	40th AGM	July 26, 2017	2:30 p.m.	2
2017-18	41st AGM	July 30, 2018	2:30 p.m.	4
2018-19	42nd AGM	August 2, 2019	2:30 p.m.	3

Postal Ballot

During the year, no resolution was passed through postal ballot under the provisions of the Companies Act, 2013. As on date, no resolution is proposed to be passed through postal ballot.

Compliance

Messrs Bhandari and Associates, practicing company secretaries, have certified that the Corporation has complied with the mandatory requirements as stipulated under the Listing Regulations. Various certifications are annexed to this report.

Mr. Sudhir Kumar Jha, Associate Member of Executive Management and Head - Legal is the compliance officer in accordance with the Housing Finance Companies – Corporate Governance (NHB) Directions, 2016.

Non-Mandatory Requirements

The Corporation is in compliance with the non-mandatory requirements listed in the Listing Regulations.

Certification of Financial Reporting and Internal Controls

In accordance with the Listing Regulations, a certificate confirming the correctness of the financial statements, adequacy of internal control measures and matters to be reported to the Audit and Governance Committee was taken on record at the board meeting convened for approval of the audited financial statements of the Corporation for the year under review.

Going Concern

The board is satisfied that the Corporation has adequate resources to continue its business for the foreseeable future and consequently considers it appropriate to adopt the going concern basis in preparing the financial statements.

On behalf of the Board of Directors

MUMBAI
May 25, 2020

DEEPAK S. PAREKH
Chairman

Compliance with Code of Conduct

I confirm that for the year under review, directors and senior management have affirmed their adherence to the provisions of the Code of Conduct.

MUMBAI
May 25, 2020

KEKI M. MISTRY
Vice Chairman & CEO

Management Discussion and Analysis Report

INTRODUCTION

The financial year ended March 31, 2020 will be marked as an unprecedented year with the novel coronavirus (COVID-19) being declared by the World Health Organisation as a pandemic on March 11, 2020. Besides the toll that this outbreak has had on human life, it has also disrupted the social, economic and financial structures of the entire world. As a result, bond, stock, currency and commodity markets have been in a tailspin, witnessing extreme volatility. Many businesses have been forced to a grinding halt, supply chains have been severely disrupted and job losses continue to mount.

In April 2020, the International Monetary Fund (IMF) stated that in the year 2020, the global economy will experience its worst recession since the Great Depression. Across the globe, governments and central banks are undertaking unconventional policies with the primary objective of saving lives and livelihoods. The full impact of the so-called "Great Lockdown" at this juncture is difficult to predict, but recovery is likely to be long and painful.

In India, from March 25, 2020 onwards, the central government declared a national lockdown, restricting the movement of the entire population of the country as a preventive measure against the spread of COVID-19. Post May 18, 2020, which marked the fourth extension in the date of the national lockdown, there has been some easing of restrictions outside of the containment zones.

The focus of this Management Discussion and Analysis Report is to analyse the performance of the Corporation during the period April 1, 2019 to March 31, 2020 (FY20). While the impact of COVID-19 in India played out towards the fag end of the financial year, given its materiality, this report also assesses post COVID-19 developments and its impact on the Corporation.

MACROECONOMIC OVERVIEW AND INDUSTRY DEVELOPMENTS

Global Macroeconomic Overview

For a large part of FY20, the global macro-economic landscape was dominated by uncertainties arising from increased trade tensions, delays on Brexit, oil market disruptions and geopolitical risks, which combined together, led to a deceleration of global growth. Lower interest rates and easy monetary policies of major global central banks boosted leverage. As a result, indebtedness of emerging markets at the government and household level showed an uptrend. Global stock markets stayed volatile largely as sentiment kept changing depending on the unfolding events around US-China tariff actions. Yet, the year under review saw global stock markets touch record highs.

By February 2020, the global economy began to feel the impact of COVID-19 disruptions. As the health, economic and financial crises morphed into each other, the IMF projected global growth in calendar year 2020 to contract by 3%. This was based on the assumption that the pandemic would fade by the second half of 2020.

Indian Macroeconomic Overview

Successive quarters in FY20 has seen India's GDP growth slide down. GDP growth for FY20 is estimated at sub 5% as against 6.1% in the previous year. What started out as an investment led slowdown slowly broadened into a weakening of consumption as well. Increased financial stress amongst rural households, sluggish manufacturing sector, lack of growth in new job creation and risk averseness in lending, especially to the micro, small and medium scale enterprises were some of the reasons for the overall slowdown in the economy.

A large part of financing, particularly niche and retail lending in India is done by non-banking financial companies (NBFCs). However, with a large number of NBFCs' access to credit getting squeezed as banks and mutual funds became more wary of lending to the sector, credit growth began to wane as well. Lending to the NBFC sector remained largely restricted to the higher rated entities.

Yet, the broader macro fundamentals of the Indian economy remained intact. India's forex reserves as at March 31, 2020 stood at US$ 476 billion, sufficient to cover over a year's imports, the current account deficit is likely to be under 1% of GDP, the average inflation rate for FY20 remained within the Reserve Bank of India's (RBI) comfort zone and lower global oil prices benefitted India as the country imports over 80% of its crude oil requirements.

India is a domestic consumption driven economy. Based on the IMF's initial assessment of the impact of COVID-19, India would be the fastest growing economy amongst G-20 countries in 2020, with a projected GDP growth of 1.9%. Other estimates of GDP growth for India are pegged lower or even forecast a contraction. The forecasts vary widely depending on assumptions made based on the extent and duration of the lockdown.

In response to the COVID-19 crisis, the Indian government, despite its extant constraints on fiscal finances, announced a wide-sweeping stimulus package ranging from humanitarian measures such as distribution of food and direct benefit transfers to the most vulnerable segments of society, sector specific measures for businesses sharply impacted by the lockdown, guarantee schemes, tax concessions and a slew of policy measures and structural reforms to help revive economic growth and improve the ease of doing business in India.

Housing and Real Estate Markets

Given the shortage of housing, the demand for affordable residential homes in FY20 continued to remain strong. During the year, new launches of residential units which received favourable response from homebuyers largely met four key criteria -- 1) reputed developer with a strong past track record of delivery; 2) projects with financial closure through stable financial partners; 3) right sized units; and 4) right priced units which was affordable by end users.

The demand for high end luxury residential housing remained subdued. A key hindrance for the real estate sector has been the overhang of unsold inventory. According to JLL India, across the top 7 cities, the unsold inventory was estimated to be worth over ₹ 3.7 lac crore as at March 31, 2020.

The Indian commercial real estate sector has attracted considerable interest from large foreign private equity investors in the recent period and continued to do so during the year under review. Demand for grade A commercial real estate was mainly from banking, financial services and insurance, IT & IT-enabled services, e-commerce and other professional services. With the logistics and warehousing sector getting more organised and tech enabled, this segment too gained traction.

During the year, many developers were under increased financial strain in an environment that had become more risk averse in lending. Several developers were over leveraged and with insufficient cashflows owing to lack of sales and high unsold inventories, the difficulties got compounded.

The lockdown due to COVID-19 resulted in the construction sector coming to a grinding halt. The most vulnerable segment has been the migrant labourers who are daily wage earners. Migrant workers comprise 80% of the 55 million workforce in the construction sector, many of whom have returned to their villages. Getting migrant workers to resume work will need specific incentives such as reimbursing transportation costs and enhanced insurance protection, along with firm assurances of maintenance of hygiene protocols and provision of personal protective equipment at the construction sites.

OPPORTUNITIES AND CHALLENGES

The opportunities and challenges lie in the dichotomy of the current state of the housing sector in India. There are millions of Indian households with aspirations of becoming homeowners and are searching for homes that they can afford within their budget. Ironically, India is also faced with a large stock of housing comprising unsold completed units and under construction units which are in need of last mile funding.

The housing sector has benefitted from the government's flagship housing programme, Pradhan Mantri Awas Yojana (PMAY). According to the Ministry of Housing and Urban Affairs, under the PMAY, over one crore homes have been sanctioned, of which 33.5 lac houses have been completed and 64 lac units are already under construction. The Credit Linked Subsidy Scheme (CLSS) – a component under the PMAY has also enabled several households to become homeowners owing to the upfront subsidy given to eligible beneficiaries.

The government has been cognisant of several homebuyers who have not been able to get delivery of their homes due to delays by cash-strapped developers who are unable to complete construction of the housing units.

Towards this end, during the year, the government took the initiative to set up an alternative investment fund to provide last mile funding for incomplete affordable housing projects. The fund is called Special Window for Completion of Construction of Affordable and Mid-Income Housing Projects (SWAMIH Investment Fund).

The government estimated that this fund could help complete 4.58 lac housing units across 1,509 projects and most of these are concentrated in the top 8 cities in India. The fund restricts itself to middle and low budget homes. The projects have to be registered with the respective state real estate regulatory authority and must be net worth positive.

As the fund provides last mile funding, it comes in as a senior lender and existing creditors cede charge, becoming junior lenders.

SWAMIH Investment Fund is envisaged to create a ₹ 25,000 crore corpus, with the government committing up to ₹ 10,000 crore and the balance would be contributions from public sector banks, Life Insurance Corporation of India, amongst others investors. As the Corporation was involved and consulted in setting up this fund, it has also committed ₹ 250 crore. The objective of the Corporation's investment was to support the sector and enable individuals to get possession of their homes. The fund announced its first fund close in December 2019 with an initial corpus of ₹ 10,530 crore.

In a bid to alleviate financial stress, certain developers have opted for joint development agreements and development management agreements. Stronger developers have taken over projects from weaker ones and some developers have opted for the last mile funding route. During the year, some lenders have opted to sell their loans to developers either to asset reconstruction companies or other institutions or opted for debt asset swaps. This facilitates quicker resolution of stressed loans.

INTEREST RATES & LIQUIDITY SCENARIO

During FY20, the repo rate which is determined by the Monetary Policy Committee (MPC) of the RBI was on a downward trajectory moving from 6% in April 2019 to 4.40% by March 2020. Up until February 2020, the changes were calibrated and smaller, while the change effected in March 2020, owing to the impact of COVID-19 was a sharp 75 basis points.

The initial cut by 25 basis points in April 2019 was against the backdrop of lower inflation and a recognition that output gap was negative and that the domestic economy was facing headwinds. The monetary policy stance, however, remained neutral.

In June 2019, the RBI reduced the repo by another 25 basis points and changed its monetary stance to accommodative. This was driven by a sharp slowdown in investment activity and moderation in private consumption growth. The MPC was of the view that an easing monetary policy would boost aggregate demand.

In August 2019, there were visible signs of a slowing domestic economy along with a deteriorating global growth outlook, largely triggered by escalating trade tensions. The RBI expressed that the standard 25 basis points cut would be inadequate while a 50 basis points reduction would be excessive and thus, in a departure from its standard practice, it opted for a 35 basis points repo rate reduction.

In October 2019, the RBI reduced the repo rate by a further 25 basis points to 5.15%. The RBI articulated despite several policy rate cuts, adequate monetary transmission was not happening within the system. The RBI thus mandated banks to link all new floating rate retail and MSME loans to an external benchmark. Most banks opted to use the repo rate as the external benchmark.

In February 2020, the RBI did not change the repo rate. The RBI stated that monetary transmission had improved and the weighted average lending rate of banks on fresh rupee loans sanctioned had reduced by 69 basis points over the period February 2019 to January 2020.

On March 27, 2020, as the COVID-19 induced crisis intensified leading to an extreme risk averse environment, the RBI in an unconventional policy move reduced the repo rate by 75 basis points to 4.40%.

During FY20, the system was mostly in surplus liquidity, though risk aversion in lending did not see this translating into enhanced credit growth. Year-on-year bank credit growth as at March 31, 2020 was 6%, hitting a five decade low.

During the year, the RBI used several unconventional tools to ensure sufficient liquidity. This included USD INR buy/sell swaps, operation twist – the simultaneous purchase of long-term securities and sale of short-term securities to reduce the steepness in the yield curve, long-term repo operations of tenors of one and three years and open market operations.

In the months of March and April 2020, the RBI introduced targeted long-term repo operations, reduced the cash reserve ratio by 100 basis points, increased the borrowing limits under the marginal standing facility, provided additional funds to refinance institutions and offered a special liquidity facility for mutual funds.

Despite large liquidity infusions by the RBI, in early May 2020, banks parked an estimated ₹ 8.5 trillion of excess liquidity with the central bank under the reverse repo facility. This indicated that banks were still risk averse, especially in lending to entities that were not high investment grade.

On further assessment of the impact of COVID-19 on the economy, the RBI on May 22, 2020, reduced the repo and reverse repo rate by 40 basis points each to stand at 4% and 3.35% respectively.

LOAN MORATORIUM

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the RBI allowed commercial banks, co-operative banks, financial institutions and NBFCs to grant a 3-month moratorium on payment of instalments of all term loans which were standard assets as at February 29, 2020. The objective was to help alleviate the hardship of borrowers which was brought on by the national lockdown. The initial moratorium period was for payments between March 1, 2020 and May 31, 2020. On May 22, 2020, the RBI permitted an extension of the moratorium period by 3 months i.e. up to August 31, 2020.

Interest shall continue to accrue on the outstanding portion of the loan during the moratorium period. For all accounts where the moratorium is granted, the ageing of accounts shall remain stand still during the moratorium period.

Lenders were required to get board approval prior to offering their customers the moratorium. Lenders have adopted different methods in offering the moratorium – either an ‘opt-in’ or ‘opt-out’ structure.

The Corporation has adopted an ‘opt-in’ structure for the moratorium. As of date, approximately 26% of the Corporation’s loans under management have opted for the moratorium. Of this, individual loans account for 21% of the individual loan portfolio.

IMPACT OF COVID-19

As is the case globally, in India, there continues to be a high degree of uncertainty on the duration of the lockdown, the possibility of second waves emerging, the effectiveness of measures taken to contain the spread of infection or mitigate its impact and the time horizon required for life, businesses and the overall economy to be restored to normalcy.

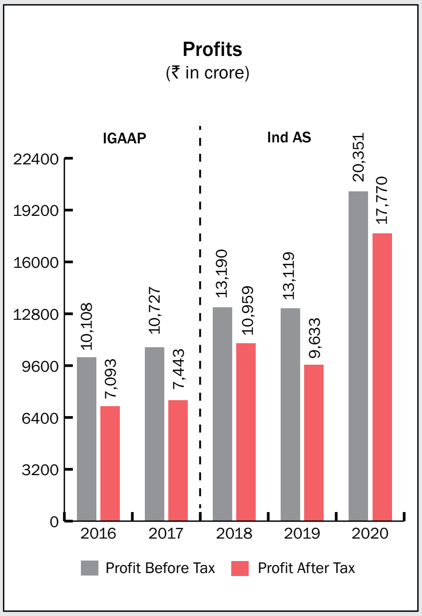
Accordingly, the extent to which the COVID-19 pandemic will impact the Corporation’s business and financial results will necessarily depend on future developments, which entail a high degree of uncertainty.

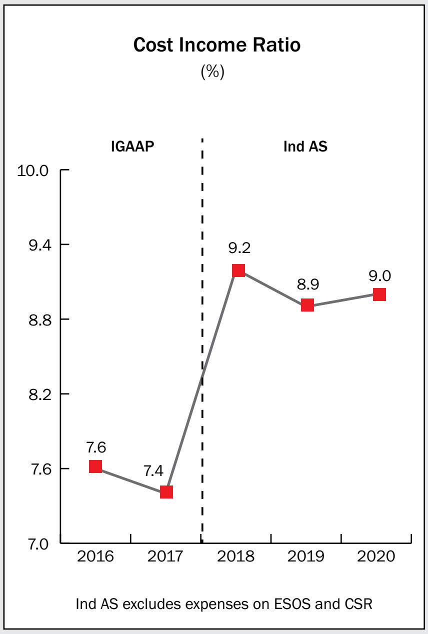
FINANCIAL AND OPERATIONAL PERFORMANCE

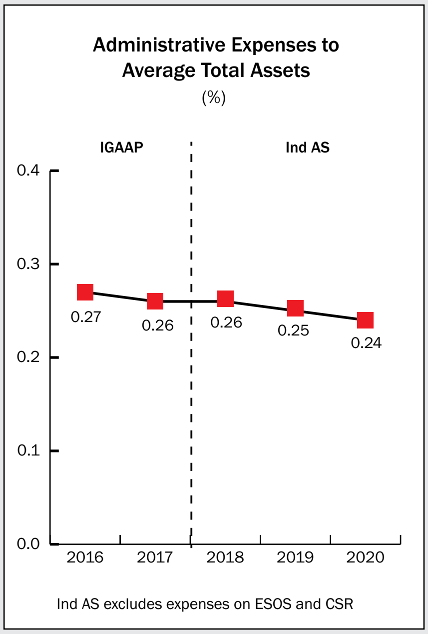
Financial Performance

The total income for the year ended March 31, 2020 stood at ₹ 58,763 crore compared to ₹ 43,378 crore in the previous year, representing a growth of 35%. Total expenses stood at ₹ 38,412 crore compared to ₹ 30,259 crore in the previous year, representing a growth of 27%.

The reported profit before tax for the year ended March 31, 2020 stood at ₹ 20,351 crore compared to ₹ 13,119 crore in the previous year.







After providing for tax of ₹ 2,581 crore (previous year: ₹ 3,486 crore), the profit after tax before other comprehensive income for the year ended March 31, 2020 stood at ₹ 17,770 crore compared to ₹ 9,633 crore in the previous year.

The reported profits for the year are not comparable with those of the previous year.

To facilitate a like-for-like comparison, after adjusting for the fair value on gain consequent to the scheme of amalgamation, other fair value changes, profit on sale of investment, dividend and provisioning, the adjusted profit before tax for the year ended March 31, 2020 is ₹ 12,541 crore compared to ₹ 11,159 crore in the previous year, reflecting a growth of 12%.

During the year, the fair value gain on the scheme of amalgamation stood at ₹ 9,020 crore (PY: nil). This was on account of the merger of GRUH Finance Limited (GRUH) and Bandhan Bank Limited (Bandhan), details of which are given below.

In January 2019, the board of directors of GRUH and Bandhan approved a scheme of amalgamation for the merger of GRUH into and with Bandhan. The share exchange ratio was 568 equity shares of face value ₹ 10 each of Bandhan for every 1,000 fully paid-up equity shares of face value ₹ 2 each of GRUH.

As at April 1, 2019 i.e. the beginning of the financial year under review, HDFC held 56.1% of the share capital of GRUH and thus, the company was a subsidiary of the Corporation.

In April 2019, the RBI granted its approval to the Corporation to acquire and hold up to 9.90% of the paid-up voting equity capital of Bandhan, upon the effective date of the scheme.

Between May and August 2019, the Corporation sold 13,09,86,774 equity shares of GRUH in the open market so as to ensure that the Corporation would be entitled to only 9.90% of the post-merger paid-up share capital of Bandhan, considering the share exchange ratio. The profit on sale of investments on account of this stood at ₹ 3,524 crore.

With effect from October 17, 2019, GRUH merged into and with Bandhan. The Corporation was allotted 15,93,63,149 shares aggregating 9.90% of the total issued share capital of Bandhan. Accordingly, on derecognition of the investment in GRUH, the Corporation has recorded a fair value gain of ₹ 9,020 crore on the investment in GRUH.

The total comprehensive income for the year ended March 31, 2020 stood at ₹ 11,117 crore compared to ₹ 9,501 crore in the previous year.

Statement of Profit and Loss

Key elements of the statement of profit and loss for the year ended March 31, 2020 are:

- Net Interest Income grew by 13% during the year.
- Net Interest Margin stood at 3.4%, compared to 3.3% in the previous year.
- Administrative expenses as a percentage of average assets (excluding expenses on employee stock option scheme and corporate social responsibility) stood at 0.24% as at March 31, 2020 compared to 0.25% in the previous year.
- Effective April 1, 2019 the Corporation has adopted Ind AS 116 - Leases, which requires any lease arrangement to be recognised in the balance sheet of the lessee as a 'right-of-use' asset with a corresponding lease liability. Accordingly, depreciation has been charged on such assets as against lease rental expenses in the previous year. Similarly, interest expense has been recognised on lease liabilities under finance costs. As permitted by the standard, the Corporation has applied this standard w.e.f. April 1, 2019 and comparatives for the previous year have not been restated. The effect of this adoption is insignificant on the profit for the year ended March 31, 2020.
- The Corporation's cost to income ratio (excluding expenses on employee stock option scheme and corporate social responsibility) stood at 9.0% for the year ended March 31, 2020 compared to 8.9% in the previous year. HDFC's cost to income ratio continues to be among the lowest in the financial sector in Asia.
- During the year, the government reduced the corporate tax to 25.17% (inclusive of surcharge and cess) as against the earlier rate of 34.94%. The Corporation elected to exercise the option of a lower tax rate provided under Section 115BAA of the Income-tax Act, 1961, as introduced by the Taxation Laws (Amendment) Ordinance, 2019 dated September 20, 2019. Accordingly, the Corporation has recognised provision for income tax and re-measured its deferred tax assets (including re-measuring the opening balance as at

April 1, 2019 and has taken a charge of ₹ 238 crore relating to the same) basis the rate provided in the said section.

- Pre-tax return on average assets (excluding sale of strategic investments) was 2.5% and the post-tax return on average assets was 2.0%.
- As per the Finance Act 2020, dividend distribution tax paid by companies at the rate of 20.56% has been abolished with effect from April 1, 2020 and dividend is now taxed in the hands of the recipient.

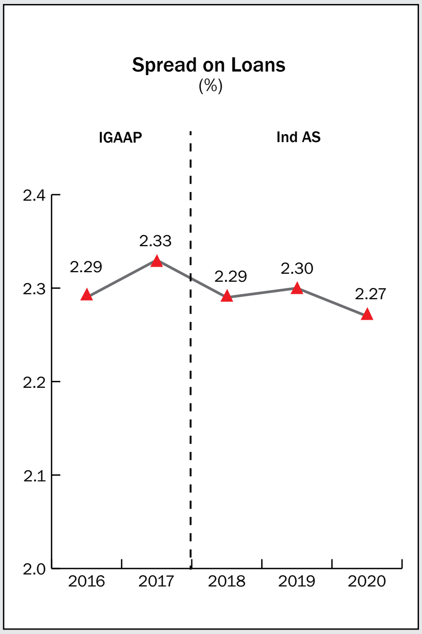
  The board did not declare an interim dividend during the year. (PY: ₹ 3.50 per equity share of face value of ₹ 2 each).

  The Board of Directors recognised the need to strike a balance between being prudent and conserving capital in the Corporation, whilst also meeting expectations of shareholders. The board after assessing the impact of COVID-19 on the financials of the Corporation recommended a final dividend of ₹ 21 per equity share compared to ₹ 17.50 per equity share in the previous year.

  The dividend pay-out ratio is 20.5%.
- Return on equity was 21.7%. Adjusting for sale of strategic investments, the Return on Equity was 12.0%. The return on Tier 1 Capital was 14.8%.

Spread on Loans

The average yield on loan assets during the year was 10.18% per annum compared to 10.29% in the previous year. The average all-inclusive cost of funds was 7.91% per annum as compared to 7.99% in the previous year. The spread on loans over the cost of borrowings for the year was 2.27% per annum as against 2.30% in the previous year. Spread on individual loans for the year was 1.92% and on non-individual loans was 3.14%.



Operational Performance

Lending Operations

During the year, the demand for affordable home loans continued to be strong. The government continued its support and thrust towards affordable housing through continued fiscal incentives for home loan borrowers. For under construction residential projects, the Goods and Services Tax (GST), with input tax credit was earlier 12% and 8% for affordable homes. In a bid to encourage more housing, during the year, the GST rates for under construction housing projects was reduced to 5% and 1% for affordable homes, without input tax credit.

Individual loan approvals grew by 14% in number terms and 12% in value terms during the year. The average size of individual loans stood at ₹ 27 lac during the year, the same as the previous year. Based on loans disbursed during the year, 82% were salaried customers, while 18% were self-employed (including professionals). In terms of the acquisition mode, of the loans disbursed during the year, 53% were first-purchase homes i.e. directly from the builder, 9% self-construction and 38% were through resale.

In order to better price its loans, factoring in risks, credit scores and customer profiles, during the year, the Corporation segregated its benchmark lending rate for housing and non-housing retail housing loans.

The Corporation remained steadfast in its commitment towards supporting the government's flagship scheme, 'Housing for All' and continued to pursue efforts towards lending to the Economically Weaker Section (EWS), Low Income Group (LIG) and Middle Income Group (MIG) segments.

The Corporation has the largest number of home loan customers – of approximately 1.73 lac who have availed benefits under the Credit Linked Subsidy Scheme (CLSS). As at March 31, 2020, cumulative loans disbursed by the Corporation under CLSS stood at ₹ 29,026 crore and the cumulative subsidy amount stood at ₹ 3,855 crore.

The Corporation continued its focus on lending to credit worthy home loan customers across all income segments as given below:

Housing Loan Approvals to Customers Based on Income Slabs in FY20

Category	Household Income per annum	Home Loan Approvals in FY20	
		% in Value Terms	% in Number Terms
Economically Weaker Section	Up to ₹ 3 lac	2%	6%
Low Income Group	Above ₹ 3 lac up to ₹ 6 lac	16%	30%
Middle Income Group	Above ₹ 6 lac up to ₹ 18 lac	46%	47%
High Income Group	Above ₹ 18 lac	36%	17%
Total		**100%**	**100%**

On an average, the Corporation has been approving approximately 9,600 loans on a monthly basis to the EWS and LIG segment, with monthly such average approvals at ₹ 1,589 crore. The average home loan to the EWS and LIG segment during the year stood at ₹ 10.3 lac and ₹ 17.7 lac respectively.

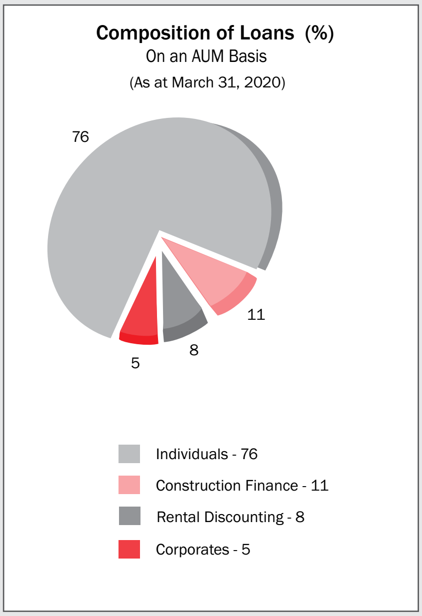
The Corporation's niche products such as 'HDFC Reach' which addresses the housing needs of the informal sector and micro entrepreneurs and 'HDFC Rural Loans' which largely focuses on customers with rural incomes or acquiring homes in rural and peripheral rural areas continued to gain traction during the year.

As at March 31, 2020, cumulatively, the Corporation had financed 7.7 million housing units.

As far as non-individual loans are concerned, the Corporation opted to be cautious in lending, given the increased risk averseness that set in during the year under review. Many developers remained under stress due to high leverage and tight cashflows, besides slow sales and high unsold inventories.

A large segment of the corporate sector too, continued to face challenges of excess leverage and revival of the investment cycle did not gain traction.

During the year, the Corporation focused on lending to select, top grade corporates and lease rental discounting. Given the increased stress amongst developers, loans for construction finance were given to select developers.



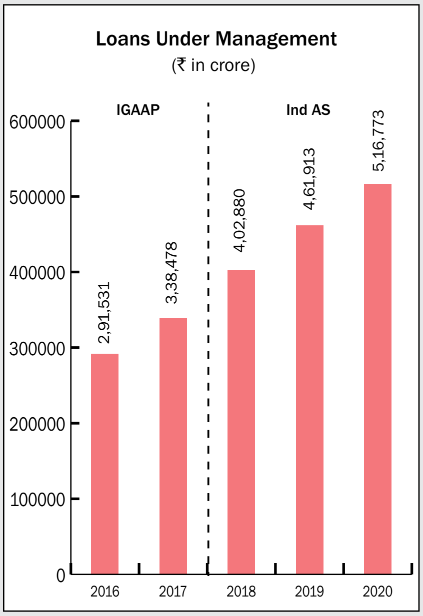
Loan Portfolio

The loan approval process of the Corporation is decentralised, with varying approval limits. The Corporation has a three-tiered committee of management structure with varying approval limits. Larger proposals, as appropriate, are referred to the Board of Directors.

The Assets Under Management (AUM) as at March 31, 2020 amounted to ₹ 5,16,773 crore as compared to ₹ 4,61,913 crore in the previous year.

On an AUM basis, the growth in the individual loan book was 14% and the non-individual loan book was 6%. The growth in the total loan book on an AUM basis was 12%.

During the year, the Corporation's loan book increased from ₹ 4,06,607 crore to ₹ 4,50,903 crore as at March 31, 2020. In addition, total loans securitised and/or assigned by the Corporation and outstanding as at March 31, 2020 amounted to ₹ 65,870 crore.



The lower growth in the loan book was due to the continued unfavourable lending environment for non-individual loans that prevailed during the financial year under review. Risk averseness in lending, high leverage and credit rating downgrades led to increased corporate stress and heightened risks, particularly in the construction finance. In order to preserve asset quality, the Corporation opted to be prudent by curtailing some of its lending to non-individual loans.

The table below provides a synopsis of the gross loan book of the Corporation:

(₹ crore)

	As at March 31, 2020	As at March 31, 2019
Individual Loans	3,25,923	2,88,819
Corporate Bodies	1,18,165	1,10,915
Others	6,815	6,873
Total	**4,50,903**	**4,06,607**

The net increase in the loan book during the year, (after removing the loans that were sold) stood at ₹ 44,296 crore.

Principal loan repayments stood at ₹ 90,223 crore compared to ₹ 1,03,914 crore in the previous year after excluding loans written off during the year amounting to ₹ 995 crore (Previous Year: ₹ 657 crore).

Prepayments on retail loans stood at 10.9% of the opening balance of individual loans compared to 10.7% in the previous year. 61% of these prepayments were full prepayments.

Of the total loan book (including loans sold), individual loans comprise 76%.

The growth in the individual loan book, after adding back loans sold in the preceding twelve months was 21% (13% net of loans sold).

Non-individual loans grew by 6% during the year and comprised 24% of the portfolio.

The growth in the total loan book would have been 17% had the Corporation not sold any loans during the year.

The growth in housing loans in the banking sector during the year also entailed substantial buy-outs of home loan portfolios from other housing finance companies and NBFCs. In comparison, the entire growth in the Corporation's loan portfolio was organic.

Assignment/Sale of Loans

During the year, the Corporation, sold individual loans amounting to ₹ 24,127 crore (Previous Year: ₹ 25,150 crore). All the loans assigned during the year were to HDFC Bank pursuant to the buyback option embedded in the home loan arrangement between the Corporation and HDFC Bank. Of the total loans sold during the year, ₹ 4,947 crore qualified as priority sector advances for banks.

As at March 31, 2020, individual loans outstanding in respect of all loans assigned/securitised stood at ₹ 65,695 crore. HDFC continues to service these loans.

The advantage for the Corporation in selling loans under the loan assignment route is that there is no credit enhancement to be provided by the Corporation on the loans sold and the risk is passed on to the purchaser. The assignment of loans is also Return on Equity accretive to the Corporation as no capital or provisioning is required to be maintained on these loans.

Product-wise Loan Performance

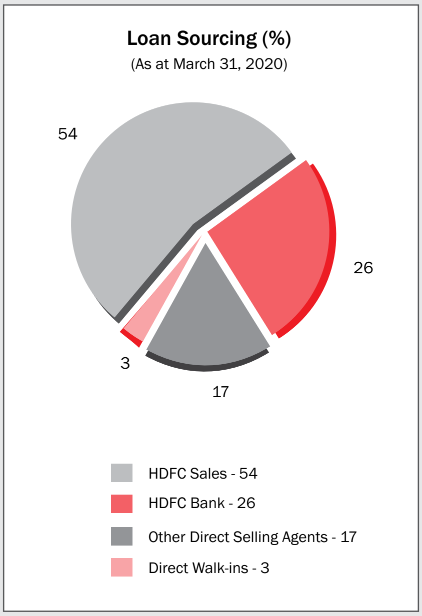
As at March 31, 2020, the product-wise break-up of loans on an AUM basis was -- individual loans: 76%, corporate loans: 5%, construction finance: 11% and commercial lease rental discounting: 8%.

During the year, on an AUM basis, 89% of the incremental growth in the loan book came from individual loans.

Sourcing of Loans

The Corporation's distribution channels which include HDFC Sales Private Limited (HSPL), HDFC Bank and third party direct selling associates (DSAs) play an important role in sourcing home loans.

HDFC has third-party distribution tie-ups with commercial banks, small finance banks, non-banking financial companies and other distribution companies including e-portals for retail loans. All distribution channels only source loans, while the control over the credit, legal and technical appraisal continues to rest with HDFC,

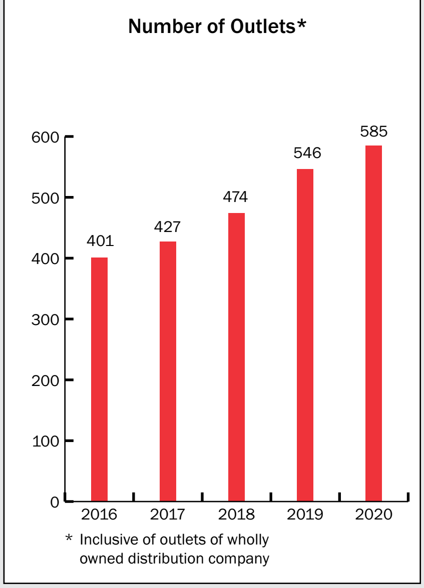


thereby ensuring that the quality of loans disbursed is not compromised in any way and is consistent across all distribution channels.

In value terms, HSPL, HDFC Bank and third party DSAs sourced 54%, 26% and 17% of home loans disbursed respectively during the year. Thus, total loans sourced from distribution channels accounted for 97% of individual loans disbursed by HDFC in value terms. 83% of the Corporation's individual loan business during the year was sourced directly or through the Corporation's affiliates.

Marketing, Distribution and Digital Initiatives

During the year, efforts were concentrated on further strengthening the distribution network through a combination of increased physical offices and digital initiatives. The Corporation's physical distribution network now spans 585 outlets, which includes 206 offices of HDFC's wholly owned distribution company, HSPL.



HDFC has overseas offices in London, Singapore and Dubai. The Dubai office caters to customers across Middle-East through its service associates.

Leveraging its long-standing relationships with leading developers from across the country, HDFC organised property exhibitions in India and overseas as a value-added service for home seekers, enabling them to choose from a wide choice of property options. Supplementing this effort was the Corporation's online interactive platform showcasing a wide range of real estate projects from reputed developers across India for HDFC's 'India Homes Fair' held overseas.

To enhance the digital experience, HDFC integrated Natural Language Processing (NLP) and Machine Learning (ML) technology with its website chatbot to understand and analyse user intent, effectively respond to user interaction and thereby deliver an enhanced customer experience.

HDFC executed several digital brand campaigns during the year, including Google's DoubleClick marketing platform. This resulted in over 150 crore brand impressions on various online platforms.

To ensure faster load times on the mobile, HDFC launched Accelerated Mobile Pages on its website. The improved page speed and better user experience led to higher search engine optimisation (SEO) rankings for the brand.

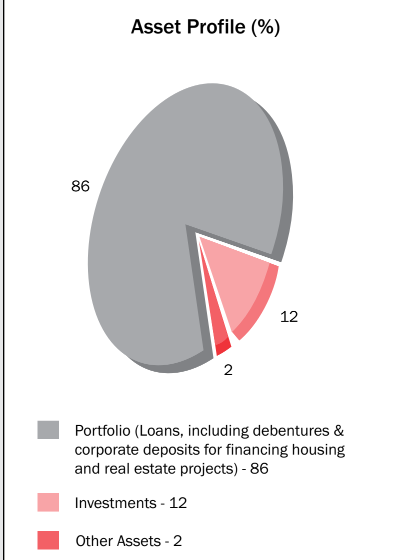
A user can now get consumer information on the Corporation's website in six Indian languages - Hindi, Marathi, Tamil, Telugu, Malayalam and Kannada. This is particularly helpful to better serve the growing base of Indian language users on the internet, particularly in tier II, tier III cities and rural areas. HDFC also integrated Language Localisation Technology (LLT) to execute digital brand and marketing campaigns in regional languages, leading to a better connect with the target audience.

During the year, HDFC strengthened its team of dedicated data analytics professionals who focus on extracting useful customer insights through various data models, thereby helping to increase business.

Investments

The Investment Committee constituted by the Board of Directors is responsible for approving investment proposals in line with the limits as set out by the Board of Directors.

The investment function supports the core business of housing finance. The investment mandate includes ensuring adequate levels of liquidity to



support core business requirements, maintaining a high degree of safety and optimising the level of returns, consistent with acceptable levels of risk.

As at March 31, 2020, the investment portfolio stood at ₹ 64,944 crore compared to ₹ 46,240 crore in the previous year. The proportion of investments to total assets was 12%. The increase in the investment portfolio during the year was primarily on account of the larger amounts invested in high quality liquid assets.

The Corporation maintained substantially higher liquidity buffers, owing to increased uncertainties and risk averseness in the financial sector. Accordingly, the average balances maintained in liquid mutual funds was significantly higher compared to the previous year.

Housing finance companies are required to maintain a statutory liquidity ratio (SLR) in respect of public deposits raised. As at March 31, 2020, the SLR requirement was 13% of public deposits. As at March 31, 2020, the Corporation had ₹ 14,268 crore invested in government securities.

As at March 31, 2020, the treasury portfolio (excluding investments in equity shares and equity linked products) had an average balance period to maturity of 33.4 months. The average yield on the non-equity treasury portfolio for the year was 6.8% per annum on an annualised basis.

Surplus from deployment of liquid funds in Cash Management Schemes of Mutual Funds was ₹ 1,102 crore.

Dividend received during the year was ₹ 1,081 crore, of which ₹ 1,069 crore was received from subsidiary and associate companies.

In March 2020, the Corporation along with seven other Indian private and public sector commercial banks infused equity capital in RBI's 'Yes Bank Reconstruction Scheme'. This was a collective effort of the government, RBI and investors to infuse capital in Yes Bank with the broader objective of retaining financial system stability. The Corporation invested in 100 crore equity shares of face value of ₹ 2 each for a consideration of ₹ 10 per share (premium of ₹ 8 per share), aggregating ₹ 1,000 crore. As per the scheme, 25% of the Corporation's equity shares are free, while 75% are locked-in for a period of 3 years.

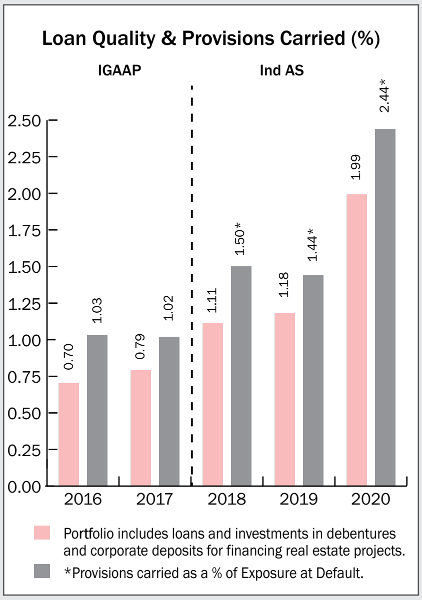
The equity investments in Bandhan Bank and Yes Bank are classified as Fair Value Through Other Comprehensive Income.

As at March 31, 2020, the market value of listed equity investments in subsidiary and associate companies was higher by ₹ 1,54,461 crore compared to the value at which these investments are reflected in the balance sheet. This unaccounted gain includes appreciation in the market value of investments in HDFC Bank held by HDFC's wholly owned subsidiaries, HDFC Investments Limited and HDFC Holdings Limited. It, however, excludes the unrealised gains on unlisted subsidiaries such as HDFC ERGO General Insurance Company Limited, HDFC Credila Financial Services Private Limited, amongst others.

Asset Quality

Given the increased financial stress in the system, the Corporation continued to lay great emphasis on asset quality and ensured that there is adequate provisioning for unforeseen contingencies.

In accordance with NHB norms, gross non-performing loans outstanding amounted to ₹ 8,908 crore as at March 31, 2020, constituting 1.99% of the loan portfolio. The principal



outstanding in respect of individual loans where the instalments were in arrears constituted 0.95% of the individual portfolio and the corresponding figure was 4.71% in respect of the non-individual portfolio.

As per the prudential norms prescribed by NHB, the Corporation is required to carry a provision of ₹ 4,198 crore, of which ₹ 2,267 crore is on account of non-performing assets and the balance is in respect of standard loans. The actual provisions carried stood at ₹ 10,988 crore.

On a gross basis, the Corporation has written off loans aggregating to ₹ 995 crore during the year. On loans that have been written off, the Corporation will continue making efforts to recover the money. The Corporation has, since inception, written off loans (net of subsequent recovery) aggregating to ₹ 2,001 crore. Thus, as at March 31, 2020, the total loan write offs stood at 14 basis points of cumulative disbursements since inception of the Corporation.

In accordance with the write off policy of the Corporation, loans may entail either a partial or a full write off, determined on a case-by-case basis.

During the year, where recovery has proven to be difficult, the Corporation has adopted various methods to settle loans. In certain instances, the Corporation has initiated insolvency proceedings. The Corporation has also opted to reach settlements through sell-downs to asset reconstruction companies, institutions or private equity players. In certain overdue loans, the Corporation has resorted to the invocation of pledged shares.

In addition, given the increased stress faced by developers, the Corporation has in select cases, entered into debt asset swap (DAS) arrangements entailing immovable property. Whilst entering into such arrangements, the Corporation's key considerations are the marketability and saleability of the property, its present and expected valuation, demand and supply factors based on the location of the property, legal titles, whether it is free from encumbrances, amongst other factors. The properties taken over by the Corporation are a mix of residential and commercial properties located in key metro cities. The properties are either for the Corporation's own use or being held for capital appreciation, which the Corporation will dispose of at an appropriate time and in accordance with directions as stipulated by NHB.

Accordingly, during the year, the Corporation has entered into debt asset swaps wherein the gross carrying amount of the financial and non-financial assets taken over as at March 31, 2020 stood at ₹ 62 crore and ₹ 848 crore respectively.

Impairment on Financial Instruments - Expected Credit Loss

Under Ind AS, asset classification and provisioning moves from the 'rule based', incurred loss model to the Expected Credit Loss (ECL) model of providing for expected future credit losses. Thus, loan loss provisions are made on the basis of the Corporation's historical loss experience and future expected credit loss, after factoring in various other parameters.

Classification of Assets

(%)

Exposure at Default (EAD)	As at March 31, 2020	As at March 31, 2019
Stage 1	92.2%	94.3%
Stage 2	5.5%	4.3%
Stage 3	2.3%	1.4%
Total	**100.00**	**100.00**

Expected Credit Loss Based on Exposure at Default (EAD)

(₹ crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Gross Stage 1	4,15,864	3,84,272
ECL Provision Stage 1	346	242
Net Stage 1	4,15,518	3,84,030
Coverage Ratio% Stage 1	0.08%	0.06%
Gross Stage 2	24,794	17,638
ECL Provision Stage 2	5,750	3,135
Net Stage 2	19,044	14,503
Coverage Ratio% Stage 2	23%	18%
Gross Stage 3	10,273	5,737
ECL Provision Stage 3	4,892	2,501
Net Stage 3	5,381	3,236
Coverage Ratio% Stage 3	47%	43%
EAD	4,50,931	4,07,647
ECL Provision	10,988	5,878
Net	4,39,943	4,01,769
ECL/EAD	**2.44%**	**1.44%**

The total balance in the Impairment on Financial Instruments – Expected Credit Loss (provisions carried) as at March 31, 2020 amounted to ₹ 10,988 crore. This is equivalent to 2.44% of the EAD. The balance in the Impairment on Financial Instruments – Expected Credit Loss more than adequately covers loans where the instalments were in arrears for over 90 days.

Fixed Assets and Investment Properties

Net fixed assets as at March 31, 2020 amounted to ₹ 1,349 crore. Net additions to fixed assets during the year was ₹ 824 crore, including right-of-use assets of ₹ 268 crore.

Net investment in properties as at March 31, 2020 amounted to ₹ 890 crore. Net additions to investment properties during the year was ₹ 313 crore.

Resource Mobilisation

Share Capital

As on April 1, 2019, the Corporation had a balance of ₹ 344 crore in the share capital account. The Corporation has allotted 1,06,13,799 equity shares of ₹ 2 each pursuant to exercise of stock options by certain employees/directors. After considering the above allotment during the year, the balance in the share capital account as on March 31, 2020 is ₹ 346 crore.

Subordinated Debt

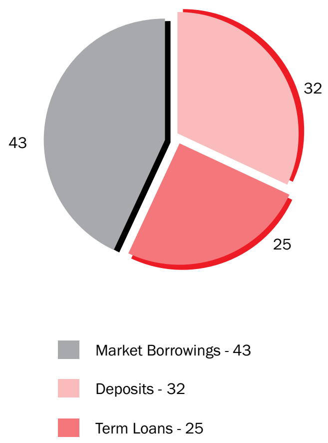
As at March 31, 2020, the Corporation's outstanding subordinated debt stood at ₹ 5,000 crore. The debt is subordinated to present and future senior indebtedness of the Corporation and has been assigned the highest rating of 'CRISIL AAA/Stable' and 'ICRA AAA/Stable'. The Corporation did not issue any subordinated debt during the year.

Based on the balance term to maturity, as at March 31, 2020, ₹ 2,600 crore of the book value of subordinated debt was considered as Tier II under the guidelines issued by the National Housing Bank (NHB) for the purpose of capital adequacy computation.

Borrowings

During the year, NHB amended its directions as follows:

Breakdown of Borrowings (%)
(As at March 31, 2020)



Timeline	Ratio of Borrowing to Net Own Funds
On or after March 31, 2020*	14 times
On or after March 31, 2021	13 times
On or after March 31, 2022	12 times

**Previously the ratio of borrowings to net owned funds was 16 times.*

Borrowings as at March 31, 2020 amounted to ₹ 4,19,102 crore as against ₹ 3,66,214 crore in the previous year - an increase of 14%. Borrowings constituted 80% of funds employed as at March 31, 2020. Of the total borrowings, debentures and securities constituted 43%, deposits 32% and term loans 25%.

Summary of Total Borrowings

(₹ crore)

Borrowings	March 31, 2020	March 31, 2019
Term Loans	1,04,909	77,548
Market Borrowings	1,81,869	1,83,067
Deposits	1,32,324	1,05,599
Total	**4,19,102**	**3,66,214**

Non-Convertible Debentures & Commercial Paper

During the year under review, the Corporation raised an amount of ₹ 46,437 crore through secured redeemable non-convertible debentures (NCDs), issued in various tranches on a private placement basis. The Corporation's NCD issues have been listed on the wholesale debt market segment of the NSE and the BSE. The NCD issues have been assigned the highest rating of 'CRISIL AAA/Stable' and 'ICRA AAA/Stable'. The Corporation has been regular in making payments of principal and interest on the NCDs.

There are no NCDs which have not been claimed by investors or not paid by the Corporation after the date on which the NCDs became due for redemption.

The Corporation has been qualified as a 'large corporate' by the Securities and Exchange Board of India and accordingly has ensured that more than 25% of its incremental borrowings during the year was by way of issuance of debt securities.

The Corporation's short-term debt programme has been assigned the highest ratings of 'CRISIL A1+', 'ICRA A1+' and 'CARE A1+' by CRISIL, ICRA and CARE Ratings respectively.

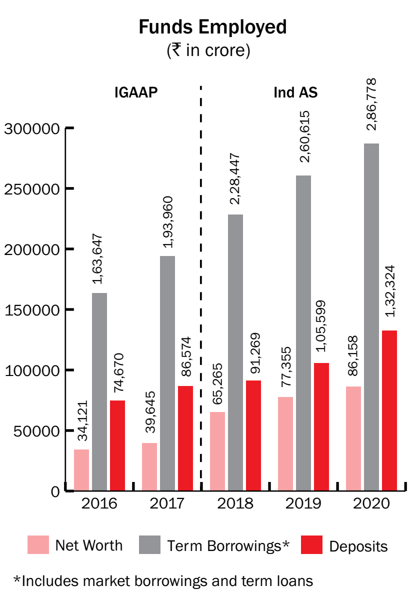
As at March 31, 2020, the Corporation had commercial paper (CPs) with an outstanding amount of ₹ 28,715 crore and the weighted average outstanding maturity was 325 days. CPs constituted 7% of the outstanding borrowing as at March 31, 2020. The CPs of the Corporation are listed on the wholesale debt market segment of the NSE and the BSE.

Rupee Denominated Bonds Overseas

Under the Corporation's Medium Term Note Programme, the Corporation did not raise any funds through Rupee denominated bonds during the year. As at March 31, 2020, total outstanding Rupee denominated bonds overseas stood at ₹ 6,100 crore.

Deposits

During the year, NHB amended its directions wherein housing finance companies can accept public deposits not exceeding 3 times its net owned funds as against 5 times earlier.



As at March 31, 2020, total outstanding deposits stood at ₹ 1,32,324 crore compared to ₹ 1,05,599 crore in the previous year. The number of deposit accounts stood at over 21 lac.

CRISIL and ICRA have for the twenty-fifth consecutive year, reaffirmed their 'CRISIL FAAA/Stable' and 'ICRA MAAA/Stable' ratings respectively for HDFC's deposits. These ratings represent the highest degree of safety regarding timely servicing of financial obligations and also carries the lowest credit risk.

Increasing uncertainties in market conditions led to a flight to safety, which was reflected in the strong mobilisation of deposits of the Corporation during the financial year. The renewal ratio of individual deposits stood at 69% during the year.

The Corporation has over 24,000 active key deposit agents. Brokerage is paid on the deposits generated by deposits agents, depending on the product, amount and period of the deposit. Incentive is also paid on certain products, depending on the amount of deposits generated by the deposit agent. Brokerage and incentive payments are amortised over the period of the deposit.

The Corporation's deposit online platform, *https://online.hdfc.com/hdfcdeposits/* has been well received and is simple and convenient to use, besides being a green initiative.

Term Loans from Banks, Institutions and Refinance from NHB

As at March 31, 2020, the total loans outstanding from banks, institutions and NHB (including foreign currency borrowings from domestic banks) amounted to ₹ 1,04,909 crore as compared to ₹ 77,548 crore as at March 31, 2019.

HDFC's long-term and short-term bank loan facilities have been assigned the highest rating by CARE and ICRA, signifying highest safety for timely servicing of debt obligations.

During the year, the Corporation availed refinance from NHB under various refinance schemes such as Affordable Housing Fund, Regular Refinance Scheme and Liquidity Infusion Facility Scheme amounting to ₹ 7,800 crore.

External Commercial Borrowings

The Corporation has in place a medium term note programme for an amount of up to US$ 2.8 billion which enables the Corporation to issue rupee/foreign currency denominated bonds in the international capital markets, subject to regulatory approvals.

In May 2019 the Corporation raised an ECB of US$ 200 million in the form of a syndicated loan facility. The ECB was for a tenor of 3 years. The ECB was raised under the Low Cost Affordable Housing Scheme of the RBI. The proceeds are being utilised for financing prospective owners/developers of low cost affordable housing units.

The outstanding external commercial borrowings constitute borrowings from Asian Development Bank under the Housing Finance Facility Project (US$ 20 million) and External Commercial Borrowing (ECB) under RBI's Low Cost Affordable Housing Scheme (US$ 2,314 million).

Financial Risk Management

The Corporation manages its interest rate and currency risk in accordance with its Financial Risk Management and Asset Management Policy and guidelines prescribed. The risk management strategy has been to protect against foreign exchange risk, whilst at the same time exploring any opportunities for an upside, so as to keep the maximum all-in cost on the borrowing in line with or lower than the cost of a borrowing in the domestic market for a similar maturity.

The Corporation has to manage various risks associated with the lending business. These risks include credit risk, liquidity risk, foreign exchange risk and interest rate risk. HDFC manages credit risk through stringent credit norms. Liquidity risk and interest rate risks arising out of maturity mismatch of assets and liabilities are managed through regular monitoring of the maturity profiles.

The Corporation has from time to time entered into risk management arrangements in order to hedge its exposure to foreign exchange and interest rate risks. The currency risk on the borrowings is actively hedged through a combination of dollar denominated assets, long term forward contracts and principal only swaps.

As at March 31, 2020, the Corporation had foreign currency borrowings of US$ 4,916 million equivalent and had risk management arrangements such as principal only swaps and forward/ option contracts of the identical amount. Thus, as at March 31, 2020, there was no open foreign currency position.

As a part of asset liability management on account of the increasing response to HDFC's Adjustable Rate Home Loan product as well as to reduce the overall cost of funding, the Corporation has entered into interest rate swaps and coupon only swaps. As at March 31, 2020, the Corporation has entered into such swaps whereby it has converted its fixed rate rupee liabilities on NCDs/ term loans of a notional amount of ₹ 61,500 crore for varying maturities into floating rate liabilities linked to MIBOR and the yield on government securities. As a result of the swaps, the Corporation pays the floating rate and receives the fixed rate.

The Corporation does not have any exposures to commodities and hence does not have any commodity price risk.

Asset-Liability Management (ALM)

Assets and liabilities are classified on the basis of their contracted maturities. However, the estimates based on past trends in respect of prepayment of loans and renewal of liabilities which are in accordance with the ALM guidelines issued by NHB have not been taken into consideration while classifying the assets and liabilities under the Schedule III.

The ALM position of the Corporation is based on the maturity buckets as per the guidelines issued by NHB. In computing the information, certain estimates, assumptions and adjustments have been made by the management. The ALM position is as under:

As at March 31, 2020, assets and liabilities with maturity up to 1 year amounted to ₹ 1,19,436 crore and ₹ 1,17,916 crore respectively. Assets and liabilities with maturity of greater than 1 year and up to 5 years amounted to ₹ 2,38,899 crore and ₹ 2,30,150 crore respectively and assets and liabilities with maturity beyond 5 years amounted to ₹ 1,76,718 crore and ₹ 1,86,987 crore respectively.

The Corporation's loan book is predominantly floating rates, whereas liabilities especially deposits and non-convertible debentures are fixed rates. Some of the fixed rate liabilities are converted into floating rate denominated liabilities by way of interest rate swaps. The Corporation monitors the money market conditions closely and enters into interest rate swaps at appropriate times to minimise the interest rate gap. As at March 31, 2020, 85% of the total assets and 75% of the total liabilities were on a floating rate basis.

Capital Adequacy Ratio

During the year, NHB made amendments as follows:

Timeline	Minimum Capital Adequacy Ratio	Minimum Tier 1 Capital
On or before March 31, 2020*	13%	10%
On or before March 31, 2021	14%	
On or before March 31, 2022	15%	

**Previously the minimum capital adequacy ratio was 12% and Tier I capital was 6%*

The Corporation's capital adequacy ratio (CAR) stood at 17.6%, of which Tier I capital was 16.5% and Tier II capital was 1.1%. The investment in HDFC Bank has been considered as a deduction in the computation of Tier I capital.

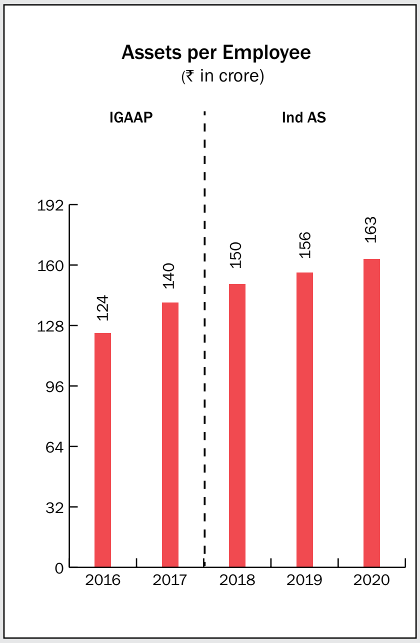
As at March 31, 2020, the risk weighted assets stood at around ₹ 3,93,000 crore.

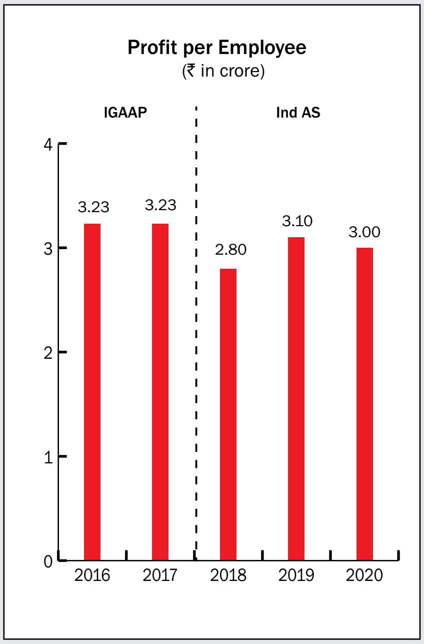
Internal Control Systems and their Adequacy

HDFC has instituted adequate internal control systems commensurate with the nature of its business and the size of its operations. Internal audit is carried out by independent firms of chartered accountants and cover all the offices and key areas of business. All significant audit observations and follow-up actions thereon are reported to the Audit & Governance Committee. All the members of the Audit & Governance Committee are independent directors.

Material Developments in Human Resources

Human resources are HDFC's most valuable assets. The Corporation is focused on continuously training and upgrading the work skills of its staff across the organisation. During the year, new recruits participated in an induction programme at the Centre for Housing Finance, which is the Corporation's training centre in Lonavla. Other in-house programmes were in the areas of leadership, mentoring, train the trainer, negotiative skills and other operational related areas. A new customer centric training workshop, *"ZEST to Serve"* was introduced during the year with the objective of sharing best practices on customer service.





The Corporation has its own online learning management system called *'HDFC Aspire'*, which is an e-learning tool which enables employees to self-learn and upgrade their skills. Special e-learning modules launched and assigned during the year were in the areas of rural housing finance, know your customer, credit and technical appraisals, lending products, business development, cyber security, prevention of sexual harassment of women at the workplace, soft skills, amongst others. Based on the assessments, the e-learning modules have been well received by the staff.

As at March 31, 2020, the Corporation has 379 offices (excluding offices of HSPL) and the total number of employees is 3,095.

Total assets per employee as at March 31, 2020 stood at ₹ 163 crore as compared to ₹ 156 crore in the previous year. The net profit per employee (after adjusting for sale of strategic investments) as at March 31, 2020 was ₹ 3.0 crore compared to ₹ 3.1 crore in the previous year.

International Housing Finance Initiatives

HDFC's expertise in housing finance is well regarded and therefore a number of existing and new housing finance companies are keen to tap the Corporation for training and technical assistance in housing finance.

The Corporation conducted its own international programme, 'Housing Finance Management' at its training centre, Centre for Housing Finance. Participants from countries across Asia and Africa attended the week-long residential training programme. The Corporation also organised a residential training programme on mortgage finance for a delegation from a Vietnamese bank.

The Frankfurt School of Finance & Management and HDFC jointly organised the twelfth 'Housing Finance Summer Academy' in Germany. The course aims to provide housing finance solutions for emerging markets through a combination of academic knowledge and practical experience.

During the year, the Corporation undertook consultancy assignments in Bangladesh and Indonesia. Senior executives from housing finance companies in Bangladesh and Mauritius visited HDFC to understand housing finance operations.

Awards and Recognitions

During the year, some of the awards and recognitions received by the Corporation included:

- Felicitated for the 2nd consecutive year in 'Leader' category in Corporate Governance by 'IFC-IiAS-BSE Governance Scores'.
- Ranked as 7th largest consumer financial services company globally and the only Indian company to be part of the top 10 consumer financial services companies in the world for the 5th consecutive year by 'Forbes Global 2000', 2019.
- Winner in 'FIs/NBFCs/Financial Services' sector at the Dun & Bradstreet Corporate Awards, 2019. HDFC has won this award 12 times.
- Awarded as Leading Housing Finance Company at the Dun & Bradstreet BFSI Awards 2020.

Subsidiaries and Associates

Though housing finance remains the core business, the Corporation has continued to make investments in its subsidiary and associate companies. These investments are made in companies where there are strong synergies with the Corporation. The

Corporation will continue to explore avenues for such investments with the objective of providing a wide range of financial services and products under the HDFC brand name.

The Corporation made gross investments in the equity share capital of its associate and subsidiary companies – HDFC ERGO Health Insurance Limited (₹ 1,496 crore), HDFC Credila Financial Services Private Limited (₹ 636 crore), Good Host Spaces Private Limited (₹ 87 crore), HDFC Education and Development Services Private Limited (₹ 20 crore), and HDFC ERGO General Insurance Company Limited (₹ 5 crore).

During the year, compulsorily convertible preference shares of HDFC Credila Financial Services Private Limited (HDFC Credila) were converted into equity shares. Further, in December 2019, the Corporation acquired 1,14,70,000 equity shares of face value of ₹ 10 each representing 9.12% of the equity share capital on a fully diluted basis of HDFC Credila from the other promoters of the company. Pursuant to the acquisition, HDFC Credila became a wholly-owned subsidiary of the Corporation.

Given the low penetration of health insurance in India, the Corporation believes that there is tremendous scope for growth in this sector. Accordingly, during the year, the Corporation acquired 20,75,15,521 equity shares of HDFC ERGO Health Insurance Limited (HDFC ERGO Health), formerly Apollo Munich Health Insurance Company Limited, representing 51.16% of its equity share capital. Consequently, HDFC ERGO Health became a subsidiary of the Corporation. HDFC ERGO Health is licensed as a general insurer and specialises in health insurance in India.

On January 9, 2020, the Board of Directors of HDFC ERGO Health and HDFC ERGO General Insurance Company Limited (HDFC ERGO) approved the Scheme of Arrangement and Amalgamation for the merger of HDFC ERGO Health with and into HDFC ERGO. As per the scheme, the approved share exchange ratio is 100 equity shares of face value of ₹ 10 each of HDFC ERGO for every 385 equity shares of face value of ₹ 10 each of HDFC ERGO Health. The application for the proposed merger has been filed by HDFC ERGO Health and HDFC ERGO with the National Company Law Tribunal, Mumbai.

In May 2020, the RBI directed the Corporation to reduce its shareholding in its insurance companies to 50% or below.

Based on the shareholding of the Corporation in HDFC ERGO and taking into consideration the share exchange ratio (for the merger of HDFC ERGO with HDFC ERGO Health), the Corporation is entitled to 50.6% stake in the merged entity (i.e. HDFC ERGO). RBI has directed the Corporation to bring down its shareholding in the merged entity to 50% or below within a period of 6 months from the effective date of the merger.

RBI has also directed the Corporation to bring down its shareholding in HDFC Life Insurance Company Limited (HDFC Life) to 50% or below on or before December 16, 2020. The Corporation holds 51.4% of the paid-up share capital of HDFC Life as on the date of this report.

The financials with respect to HDFC Bank Limited, HDFC Life Insurance Company Limited, HDFC ERGO General Insurance Company Limited and HDFC ERGO Health Insurance Limited are presented as per their statutory financial statements prepared under Indian GAAP.

Review of Key Subsidiary and Associate Companies

HDFC Bank Limited (HDFC Bank)

HDFC and HDFC Bank continue to maintain an arm's length relationship in accordance with the regulatory framework. Both organisations, however, capitalise on the strong synergies through a system of referrals, special arrangements and cross selling in order to effectively provide a wide range of products and services under the 'HDFC' brand name.

As at March 31, 2020, advances of HDFC Bank stood at ₹ 9,93,703 crore – an increase of 21% over the previous year. Total deposits stood at ₹ 11,47,502 crore – an increase of 24%. As at March 31, 2020, HDFC Bank's distribution network includes 5,416 banking outlets and 14,901 ATMs in 2,803 locations.

For the year ended March 31, 2020, HDFC Bank reported a profit after tax of ₹ 26,257 crore as against ₹ 21,078 crore in the previous year, representing an increase of 25%.

The shareholders of the bank, at its Annual General Meeting held on July 12, 2019 approved the sub-division (split) of one equity share of the bank from face value of ₹ 2 each into two equity shares of face value of ₹ 1 each.

HDFC together with its wholly owned subsidiaries, HDFC Investments Limited and HDFC Holdings Limited holds 21.2% of the equity share capital of HDFC Bank.

During the year, the Corporation received dividend of ₹ 864 crore from HDFC Bank. This included the special dividend received of ₹ 216 crore for the completion of 25 years of the bank.

In April 2020, the RBI directed banks not to make any further dividend pay-outs from the profits pertaining to the financial year ended March 31, 2020 until further instructions. The objective is for banks to conserve capital so as to ensure that they retain their capacity to support the economy and absorb losses brought on by the pandemic. The RBI indicated that the restriction on payment of dividend would be reassessed in September 2020. Consequently, HDFC Bank did not declare any dividend for the year ended March 31, 2020.

HDFC Life Insurance Company Limited (HDFC Life)

As at March 31, 2020, total premium income of HDFC Life stood at ₹ 32,707 crore as compared to ₹ 29,186 crore in the previous year, representing a growth of 12%. As at March 31, 2020, the company had a portfolio of 37 individual and 11 group products, along with 6 optional rider benefits, catering to a diverse range of customer needs.

The company has retained its number one position in total new business received premium with a market share of 21.5%, amongst private players. The company ranked third with market share of 14.2% based on individual weighted received premium and ranked first with a 29% market share based on group business (on received premium) during FY20.

HDFC Life has reported a standalone profit after tax of ₹ 1,295 crore for the year ended March 31, 2020 as against ₹ 1,277 crore in the previous year.

The new business margin based on actual expenses (post overrun) stood at 25.9% (PY: 24.6%).

As at March 31, 2020, the Indian Embedded Value stood at ₹ 20,650 crore (PY: ₹ 18,301 crore). The operating return on embedded value stood at 18.1%.

The solvency ratio of the company was 184% as at March 31, 2020 as against the minimum regulatory requirement of 150%.

The Corporation's shareholding in HDFC Life stood at 51.4%.

HDFC Life did not pay interim dividend during the year.

In April 2020, owing to the uncertainties around COVID-19, Insurance Regulatory and Development Authority of India (IRDAI) urged insurers to refrain from dividend pay-outs from profits pertaining to the financial year ended March 31, 2020.

HDFC Asset Management Company Limited (HDFC AMC)

HDFC AMC is one of India's largest mutual fund managers. As at March 31, 2020, the quarterly average assets under management (QAAUM) stood at ₹ 3.7 lac crore compared to ₹ 3.4 lac crore in the previous year, registering a growth of 8%.

The ratio of equity oriented AUM and non-equity oriented AUM was 43:57. It has the largest actively managed equity mutual fund based on QAAUM, with market share at 15.2% as at March 31, 2020.

For the year ended March 31, 2020, the profit after tax stood at ₹ 1,262 crore as against ₹ 931 crore in the previous year, representing a growth of 36%.

HDFC AMC recommended a final dividend of ₹ 28 per equity share of ₹ 5 each compared to the total dividend of ₹ 24 per share paid in the previous year.

HDFC holds 52.7% of the equity share capital of HDFC AMC. During the year, the Corporation received dividend of ₹ 135 crore from HDFC AMC.

HDFC ERGO General Insurance Company Limited (HDFC ERGO)

HDFC ERGO continued to retain its market ranking as the third largest private sector player in the general insurance industry. The company had a market share of 8.8% (private sector) and 4.9% (overall) in terms of gross direct premium for the year ended March 31, 2020.

The company offers a complete range of insurance products like motor, health, travel, home and personal accident in the retail segment, customised products like property, marine, aviation and liability insurance in the corporate segment and crop insurance. The company had a balanced portfolio mix with the retail segment accounting for 58% of the business.

The gross written premium of HDFC ERGO for the year ended March 31, 2020 stood at ₹ 9,439 crore as against ₹ 8,722 crore in the previous year, representing a growth of 8%.

The combined ratio as at March 31, 2020 stood at 102.6%. The solvency ratio of the company was 189% as at March 31, 2020 as against the minimum regulatory requirement of 150%.

For the year ended March 31, 2020, profit after tax stood at ₹ 448 crore (PY: ₹ 383 crore).

HDFC ERGO did not pay any interim dividend during the year.

In April 2020, IRDAI urged insurers to refrain from paying from dividend pay-outs from profits pertaining to the financial year ended March 31, 2020.

HDFC holds 50.5% of the equity share capital of HDFC ERGO.

HDFC ERGO Health Insurance Limited (HDFC ERGO Health)

HDFC ERGO Health, (formerly Apollo Munich Health Insurance Company Limited) is a specialised health insurance company. During the year ended March 31, 2020, the gross written premium stood at ₹ 2,522 crore, representing a growth of 15% over the previous year.

The combined ratio as at March 31, 2020 stood at 112.1% compared to 99.8% in the previous year. The solvency ratio of the company was 174% as at March 31, 2020 as against the minimum regulatory requirement of 150%.

During the year ended March 31, 2020, the company reported a loss of ₹ 168 crore as compared to a profit of ₹ 11 crore in the previous year. The loss was on account of increased provisions on certain investments and overall slowdown in the business, including in the disruptions owing to the outbreak of COVID-19. Whilst renewal ratios were strong, there was also an increase in claims on matured policies.

The company became a subsidiary of the Corporation during the year. As at March 31, 2020, HDFC holds 51.2% of the equity share capital of HDFC ERGO Health.

HDFC Property Funds

HDFC Venture Capital Limited & HDFC Property Ventures Limited

HDFC Venture Capital Limited (HVCL) is investment manager to HDFC Property Fund, a registered venture capital fund with the Securities and Exchange Board of India (SEBI). HDFC Property Fund's Scheme HDFC India Real Estate Fund, was launched in 2005 and had an initial corpus of ₹ 1,000 crore. The close-ended fund has been substantially exited and approximately 1.6 times the fund corpus has been returned to investors.

HDFC Property Ventures Limited (HPVL) provides investment advisory services to overseas asset management companies (AMCs). Such AMCs in turn manage and advise Indian and offshore private equity funds.

HDFC holds 80.5% of the equity share capital of HVCL and 100% of the equity share capital of HPVL.

The Corporation has sponsored two off shore funds – HIREF International LLC ('HIREF') and HIREF International Fund II Pte Ltd ('HIREF II').

HIREF was launched in 2007 and has a corpus of USD 800 million and includes USD 50 million of commitment by the Corporation. Exits have commenced and the fund is in the process of exiting the balance investments. The fund has made 14 investments in total, of which 8 investments have been fully exited at combined IRR of 15.6% (gross in ₹ terms). Till date, distribution, including partial and full exits of 1.3 times the fund corpus (in ₹ terms) has been made to the investors.

HIREF II had its final closing in April 2015 with a total corpus of USD 321 million which includes USD 40 million of commitment by the Corporation. The fund has made 10 investments of which 3 investments have been fully exited at combined IRR of 22.1% (gross in ₹ terms). Till date distribution, including partial and full exits, of 0.5 times the fund corpus (in ₹ terms) has been made to the investors.

HDFC Ventures Trustee Company Limited has entered into a trust deed to act as a trustee to "HDFC India Real Estate Fund III" ('HIREF III') which is registered under SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations"). HIREF III is in the process of raising INR equivalent of USD 500 million for making investments in accordance with AIF Regulations and the fund documents.

HDFC Capital Advisors Limited

HDFC Capital Advisors Limited is in the business of providing investment management services for real estate private equity financing. The company's primary objective is to provide long-term equity and mezzanine capital to developers at the land and pre-approval stage for the development of affordable and mid-income housing in India. The company is the investment manager to HDFC Capital Affordable Real Estate Fund 1 (H-CARE 1) and HDFC Capital Affordable Real Estate Fund 2 (H-CARE 2), which are registered with SEBI as Category II Alternative Investment Funds.

H-CARE 1 was raised in 2016 with a fund size of USD 450 million.

H-CARE 2 has a fund size of US$ 650 million and achieved its final closure in October 2018. H-CARE 1 and H-CARE 2 combine to create a large platform targeting the development of affordable and mid-income housing. Currently, approximately US$ 1 billion of investments is committed with leading developers across India in the affordable and mid-income housing space. The platform is expected to support the development of approximately 75 residential projects and 1.7 lac residential units in urban India.

HDFC Capital Advisors Limited has recently launched the HDFC Affordable Real Estate and Technology Program (H@ART), a first-of-its-kind initiative aimed at creating efficiencies and lowering costs in each part of the development cycle for a real estate project. H@ART seeks to mentor, partner and invest in real estate technology companies that drive innovation and efficiencies within the affordable housing ecosystem.

HDFC Capital Advisors' target is to finance the development of one million affordable homes in India while sustainably addressing the needs of the affordable housing ecosystem through a combination of innovative financing, partnerships and technology. In order to achieve this objective, the company is in active discussions with leading global investors to raise additional funds to be invested across the affordable housing ecosystem.

HDFC Capital Advisors Limited is a wholly owned subsidiary of the Corporation.

HDFC Sales Private Limited (HSPL)

HSPL continues to strengthen the Corporation's marketing and sales efforts by providing a dedicated sales force to sell home loans and other financial products.

HSPL has a presence in 206 locations. During the year under review, HSPL sourced loans accounting for 54% of individual loans disbursed by HDFC.

HSPL is a wholly owned subsidiary of the Corporation.

HDFC Credila Financial Services Private Limited (HDFC Credila)

HDFC Credila is India's first dedicated education loan company, providing loans to students pursuing higher education in India and abroad. As at March 31, 2020, HDFC Credila had cumulatively disbursed ₹ 10,477 crore to over 62,600 customers. The outstanding loan book stood at ₹ 6,257 crore, registering a growth of 17% over the previous year. The average loan amount disbursed during the year was ₹ 22.7 lac.

For the year ended March 31, 2020, HDFC Credila reported a profit after tax of ₹ 123 crore as against ₹ 102 crore in the previous year, representing a growth of 21%.

As at March 31, 2020, the capital adequacy ratio stood at 22.3% and Tier 1 capital stood at 14.7%.

In addition to having its own offices and sourcing applications through the web, HDFC Credila capitalises on HDFC Group's distribution network to source and market education loans.

HDFC Credila's borrowers are entitled to income tax exemption under Section 80E of the Income Tax Act, 1961.

HDFC Credila is a wholly-owned subsidiary of the Corporation.

HDFC Education and Development Services Private Limited (HDFC Edu)

HDFC Edu is the Corporation's wholly owned subsidiary which focuses on the education sector.

The objective of HDFC Edu entering the education space is to imbibe best practices in education and facilitate innovation, thereby creating a visible impact on the education system in the country.

The company provides services to The HDFC Schools which are located in Gurugram, Pune and Bengaluru. These schools follow the National Curriculum Framework, 2005 and are affiliated with the Central Board of Secondary Education.

The HDFC Schools believe in inclusive education and cater to children with special needs with trained teachers to take care of them. The schools also have children from underprivileged backgrounds. The schools now have more than 2,000 students and have created employment for more than 500 people.

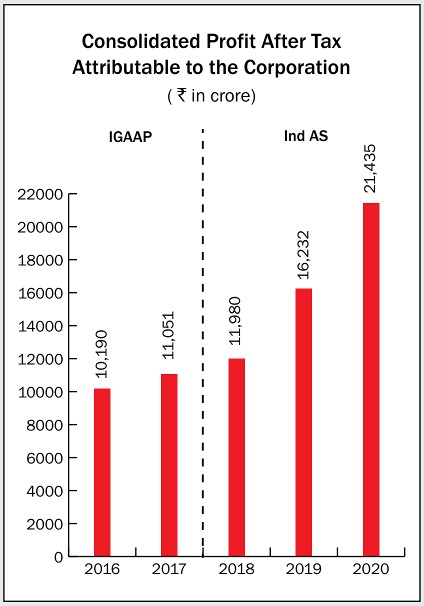
AUDITED CONSOLIDATED ACCOUNTS

Whilst Indian Accounting Standards (Ind AS) has been made applicable for NBFCs, including housing finance companies from the accounting period beginning April 1, 2018, the same is still pending for adoption by banks and insurance companies.

The consolidated financial statements comprise the standalone financial statements of the Corporation together with its subsidiaries which are consolidated on a line-by-line basis and its associates which are accounted on the equity method.

On a consolidated basis for the year ended March 31, 2020, the profit before tax was ₹ 26,193 crore as compared to ₹ 22,099 crore in the previous year representing a growth of 19%.

After providing ₹ 3,367 crore (PY: ₹ 4,518 crore) for tax, the profit after tax before OCI stood at ₹ 22,826 crore as compared to ₹ 17,581 crore in the previous year, representing a growth of 30%.



The total comprehensive income stood at ₹ 16,613 crore as compared to ₹ 17,662 crore in the previous year.

The profit attributable to the Corporation was ₹ 21,435 crore as compared to ₹ 16,232 crore, representing a growth of 32%.

The post-tax return on assets for the consolidated group accounts for the year ended March 31, 2020 was 3.3%. The return on equity stood at 18.1%. The basic and diluted earnings per share (on a face value of ₹ 2 per share) for the group was ₹ 124.1 and ₹ 123.2 respectively.

Standalone FINANCIAL STATEMENTS

- Independent Auditors' Report
- Balance Sheet
- Statement of Profit and Loss
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to Standalone Financial Statements

Independent Auditors' Report

TO THE MEMBERS OF
HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

Report on the audit of the standalone financial statements

Opinion

We have audited the standalone financial statements of Housing Development Finance Corporation Limited (the 'Corporation'), which comprise the Standalone Balance Sheet as at 31 March 2020, the Standalone Statement of Profit and Loss (including Other Comprehensive Income), the Standalone Statement of Changes in Equity and the Standalone Statement of Cash Flows for the year then ended, and notes to the standalone financial statements including a summary of the 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 standalone financial statements give the information required by the Companies Act, 2013 (the 'Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Corporation as at 31 March 2020, and profit and other comprehensive income, changes in equity and its cash flows 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 Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the audit of the standalone financial statements* section of our report. We are independent of the Corporation in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the standalone 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 on the standalone financial statements.

Emphasis of matter

As described in Note 4 and 9(f) to the standalone financial statements, in accordance with Reserve Bank of India COVID-19 Regulatory Package, ageing of accounts opting for moratorium offered by the Corporation and moving into Stage 3 (based on days past due status as of 31 March 2020) has been determined with reference to position as of 29 February 2020. Further, the extent to which the COVID-19 pandemic will impact the Corporation's financial performance is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of the above matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Impairment of loans and advances to customers Refer to the accounting policies in Note 3.2.3 to the standalone financial statements: Impairment; Note 2.4.1 to the standalone financial statements: use of estimates and judgements – determination of Expected Credit Loss and Note 9 to the standalone financial statements: Loans	
Subjective estimate Recognition and measurement of impairment of loans and advances involve significant management judgement Under Ind AS 109, Financial Instruments, allowance for loan losses are determined using expected credit loss (ECL) model. The Corporation's impairment allowance is	**We performed audit procedures set out below:** **Design / controls** • Evaluated appropriateness of the impairment principles used by management based on the requirements of Ind AS 109, our business understanding and industry practice;

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>derived from estimates including the historical default and loss ratios. Management exercises judgement in determining the quantum of loss based on a range of factors.

The most significant areas are:
- Segmentation of loan book
- Determination of exposure at default
- Loan staging criteria
- Calculation of probability of default / Loss given default
- Consideration of probability weighted scenarios and forward looking macro-economic factors

The application of ECL model requires several data inputs. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model.</td><td>• Assessed the design and implementation of key internal financial controls over loan impairment process used to calculate the impairment charge;
• Understood management’s revised processes, systems and controls implemented in relation to impairment allowance process, particularly in view of COVID-19 regulatory package;
• Evaluated management’s controls over collation of relevant information used for determining estimates for management overlays on account of COVID-19; and
• Tested review controls over measurement of impairment allowances and disclosures in financial statements.</td></tr>
<tr><td>Impact of COVID-19
On 11 March 2020, the World Health Organisation declared the Novel Coronavirus (COVID-19) outbreak to be a pandemic.

We have identified the impact of, and uncertainty related to the COVID 19 pandemic as a key element and consideration for recognition and measurement of impairment of loans and advances on account of:
- Short and long term macroeconomic effect on businesses in the country and globally and its consequential and cascading negative impact on revenue and employment generation opportunities;
- impact of the pandemic on the Corporation’s customers and their ability to repay dues; and
- application of regulatory package announced by the Reserve Bank of India (RBI) on asset classification and provisioning.

Management has conducted a qualitative assessment of impact on the credit risk of the loan portfolio with respect to the moratorium benefit to borrowers prescribed by the RBI and considered management overlays to reflect potential impact of COVID-19 on expected credit losses on its loan portfolio.</td><td>Substantive tests
• Focused on appropriate application of accounting principles, validating completeness and accuracy of the data and reasonableness of assumptions used in the model;
• Test of details over calculation of impairment allowance for assessing the completeness, accuracy and relevance of data;
• Model calculations testing through re-performance where possible;
• The appropriateness of management’s judgement was also independently reconsidered in respect of calculation methodologies, segmentation, economic factors, the period of historical loss rates used and the valuation of recovery assets and collateral;
• Test checked the basis of collateral valuation in the determination of ECL provision;
• Used specialists to test the model methodology and reasonableness of assumptions used including management overlays;
• Assessed the appropriateness of changes made in management overlays to calibrate the risks that are not yet fully captured by the existing model;</td></tr>
</table>

Key audit matter	How the matter was addressed in our audit
	• Assessed the appropriateness of management rationale for determination of criteria for significant increase in credit risk considering both: adverse effects of COVID 19 and mitigants in the form of the RBI / Government financial relief package; • Corroborated through independent check and enquiries the reasonableness of management's assessment of grading the severity of impact of COVID-19 on segments of its loan portfolio and the resultant impairment provision computed; and • Assessing the factual accuracy and appropriateness of the additional financial statements disclosures made by the Corporation regarding impact of COVID-19.
Valuation of Derivatives Instruments and Hedge Accounting Refer to the accounting policies in Note 3.2.8 to the standalone financial statements: Derivative financial instruments; Note 7 to the standalone financial statements: Derivative financial instruments and Note 44.6.1 to the standalone financial statements– Foreign currency risk	
The Corporation enters into derivative contracts in order to manage and hedge risks such as foreign exchange rate risk and interest rate risk on the borrowings. The Corporation either enters into cash flow hedges or fair value hedges depending on the risk being hedged. The application of hedge accounting and evaluating hedge effectiveness is complex and operationally cumbersome and requires close monitoring from Corporation's management.	**We performed audit procedures set out below** **Design / controls** • Obtained an understanding of the risk management policies and tested key controls (i) at the time of designation of hedging relationship including authorisation by designated authority; documentation prepared by management at the inception of the hedge transaction; (ii) with regard to ongoing monitoring and review of the hedge relationship by management including test of hedge effectiveness.
	Substantives tests • Checked the recognition and measurement of derivative instruments, for selected samples, is as per Ind AS 109; • Examined hedge documentation on a sample basis to assess the compliance of documentation with Ind AS 109 requirements; • Test checked on a sample basis reconciliation of derivative instruments to independent confirmations obtained from third party; • Involved specialists to perform independent valuation and compared with valuation provided by the Corporation; • Compared input data used in the Corporation's valuation models to independent sources on a sample basis; • Test checked on a sample basis the applicability and accuracy of hedge accounting; • Considered the appropriateness of disclosures in relation to financial risk management, derivative instruments and hedge accounting in the standalone financial statements.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Valuation of Investments (other than investments in subsidiaries and associates)
Refer to the accounting policies in Note 3.2 to the standalone financial statements: Financial instruments; Note 2.4.2 to the standalone financial statements: Use of estimates and judgements - fair valuation of investment (other than investment in Subsidiaries and Associates); and Note 10 to the standalone financial statements: Investments</td></tr>
<tr><td>Subjective estimate
Investments carried at fair value comprise:
- Fair value through profit and loss (FVTPL) investments - ₹ 25,725 crore
- Fair value through other comprehensive income (FVOCI) investments - ₹ 5,054 crore
The effect of fair value adjustments may impact either the profit or loss or other comprehensive income.
The valuation of investments measured at fair value entails significant management estimates and is based on a combination of observable market data and / or valuation techniques which are often based on unobservable inputs.
We identified determination of fair value of investments as a key audit matter because of the degree of subjectivity and judgement exercised by Corporation's management in determining the inputs used in the valuation techniques and methodologies.</td><td>We performed audit procedures set out below
Design / controls
• Test checked the design, implementation and operating effectiveness of management's key internal controls over the valuation process and inputs.
Substantives tests
• Read the investment agreements on a sample basis, to understand the relevant investment terms and identify any conditions relevant to the classification and valuation of investments;
• Assessed the appropriateness of the valuation methodology and test key inputs used such as pricing inputs and discount factors;
• Checked valuation methodology was consistently followed and evaluated any change in valuation technique;
• Involved specialists to test the model methodology, reasonableness of assumptions and test key inputs used such as pricing inputs and discount factors;
• Assessed the disclosures as required under prevailing accounting standards reflect the Corporation's exposure to investment valuation risk;
• Evaluated the reliability of inputs i.e. market observable / unobservable data to determine fair value of investments and checked the appropriateness of disclosures in accordance with Ind AS 107 on 'Financial Instruments: Disclosures'.</td></tr>
<tr><td>Information technology ('IT')
IT systems and controls
The Corporation's key financial accounting and reporting processes are highly dependent on information systems including automated controls in information systems, such that there exists a risk that, gaps in the IT control environment could result in the financial accounting and reporting records being misstated. The Corporation uses several systems for it's overall financial reporting.</td><td>We performed audit procedures set out below
• Understood General IT Control i.e. access controls, program/ system change, program development, computer operations (i.e. job processing, data/ system backup incident management) over key financial accounting and reporting systems, and supporting control systems (referred to as in-scope systems);
• Understood IT infrastructure i.e. operating systems and databases supporting the in-scope systems;</td></tr>
</table>

Key audit matter	How the matter was addressed in our audit
We identified 'IT systems and controls' as key audit matter because of the high level of automation, significant number of systems being used by management and the scale and complexity of the IT architecture.	• Test checked the General IT Controls for design and operating effectiveness for the audit period over the in-scope systems; • Understood IT application controls covering – user access and roles, segregation of duties, and – key interfaces and reports. • Test checked the IT application controls for design and operating effectiveness for the audit period; • Performed testing to determine that IT application controls that underwent changes, followed the standard change management process; • Test checked controls over the IT infrastructure covering user access (including privilege users), data center.

Information Other than the Standalone Financial Statements and Auditors' Report Thereon

The Corporation's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Director's report and Management Discussion & Analysis (MD&A) report, but does not include the standalone financial statements and our auditors' report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's and Board of Directors' Responsibility for the Standalone Financial Statements

The Corporation's management and Board of Directors are responsible for the matters stated in Section 134 (5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Corporation in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Corporation and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management and Board of Directors are responsible for assessing the Corporation'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 the Board of Directors either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Board of Directors is also responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the standalone financial statements

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Corporation has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the Standalone financial statements made by Management and Board of Directors.
- Conclude on the appropriateness of management and Board of Directors 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 Corporation'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 standalone 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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2016

(the 'Order') issued by the Central Government in terms of Section 143 (11) of the Act, we give in the 'Annexure A', a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. A. As required by Section 143(3) of the Act, we report that:

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

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

c) the Standalone Balance Sheet, the Standalone Statement of Profit and Loss (including other comprehensive income), the Standalone Statement of Changes in Equity and the Standalone Statement of Cash Flows dealt with by this Report are in agreement with the books of account;

d) in our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act;

e) on the basis of the written representations received from the Directors as on 31 March 2020 and taken on record by the Board of Directors, none of the Directors are disqualified as on 31 March 2020 from being appointed as a Director in terms of Section 164 (2) of the Act; and

f) with respect to the adequacy of the internal financial controls with reference to financial statements of the Corporation and the operating effectiveness of such controls, refer to our separate Report in 'Annexure B';

B. With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. the Corporation has disclosed the impact of pending litigations as at 31 March 2020 on its financial position in its standalone financial statements – Refer note 40 to the standalone financial statements;

ii. the Corporation has recognised provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer note 7.1 to the standalone financial statements;

iii. there has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Corporation during the year ended 31 March 2020. Whilst the Corporation transferred the unclaimed dividend, 2,120 underlying equity shares relating to such unclaimed dividend could not be transferred as the depository participant informed that the aforesaid equity shares were not available in the demat accounts of the respective shareholders; and

iv. the disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these standalone financial statements since they do not pertain to the financial year ended 31 March 2020.

C. With respect to the matter to be included in the Auditors' Report under Section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the Corporation to its Directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any Director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

AKEEL MASTER
Mumbai — Partner
25 May 2020 — Membership No: 046768
ICAI UDIN: 20046768AAAAIE2889

Annexure “A” to the Independent Auditors’ Report – 31 March 2020

(Referred to in our report of even date)

i. (a) The Corporation has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.

(b) The Corporation has a regular programme of physical verification of property, plant and equipment by which property, plant and equipment are verified annually. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Corporation and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and based on test check examination of the records and registered sale deeds / transfer deeds / conveyance deeds provided to us, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Corporation as at the balance sheet date, except the following shown as properties under the head of Investment properties:

Particulars		**₹ in crore**	**Remarks**
Freehold land and buildings (Four properties)	Gross block	270	The Corporation is in the process of transferring these assets in its name. The process will be concluded after the necessary regulatory clearances have been obtained.
	Net block	262	

In respect of immovable properties of land and buildings that have been taken on lease and disclosed as property, plant and equipment in the standalone financial statements, the lease agreements are in the name of the Corporation, where the Corporation is the lessee in the agreement.

ii. The Corporation is engaged in providing financial services primarily into housing finance. Accordingly, it does not hold any physical inventories. Thus, paragraph 3 (ii) of the Order is not applicable.

iii. According to the information and explanations given to us and based on the audit procedures conducted by us, the Corporation has not granted loans during the current year, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. In respect of the existing loan at the beginning of the year:

(a) The schedule of repayment of principal and payment of interest has been stipulated and repayments or receipts of principal amounts and interest have been regular as per stipulations;

(b) There is no overdue amount remaining outstanding as at the year end.

iv. According to the information and explanations given to us and on the basis of our examination of the records of the Corporation, the Corporation has complied with the provisions of Sections 185 and 186 of the Act in respect of loans, investments, guarantee and security, as applicable.

v. As per the Ministry of Corporate Affairs notification dated 31 March 2014, the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 2014, as amended, with regard to the deposits accepted are not applicable to the Corporation. Accordingly, reporting under Clause 3(v) of the Order is not applicable.

vi. The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act, for any services rendered by the Corporation. Accordingly paragraph 3(vi) of the Order is not applicable.

vii. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income tax, goods and services tax, cess and other material statutory dues applicable to it have generally been regularly deposited by the Corporation with the appropriate authorities. As explained to us, the Corporation did not have any dues on account of Customs Duty and Excise Duty.

According to the information and explanations given to us and on the basis of our examination of the records, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, goods and services tax, cess and other material statutory dues were in arrears as at 31 March 2020 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and on the basis of our examination of the records, there are no dues of value added tax and goods and services tax that have not been deposited on account of any dispute. However, according to information and explanations given to us, the following dues of wealth tax, interest on lease tax, Employees' State Insurance, income tax and service tax have not been deposited by the Corporation on account of disputes:

Name of the statute	Nature of dues	Amount (₹ in crore)	Period to which the amount relates	Forum where dispute is pending
The Wealth Tax Act, 1957	Wealth Tax	0.12	1998-1999	Assistant Commissioner of Wealth Tax
Maharashtra Sales Tax on the Transfer of the Right to use any Goods for any Purpose Act, 1985	Interest on lease tax	0.02	1999-2000	Commissioner of Sales Tax (Appeals)
Employees State Insurance Act, 1948	Payment towards Employer's Contribution to ESIC	0.01	2010-2011	Assistant/ Deputy Director– ESIC
The Income Tax Act, 1961	Penalty Levied	0.02	2012-2013	Commissioner of Income Tax (Appeal) (Mumbai)
The Finance Act, 1994	Service Tax	0.80	2007-2012	CESTAT West Zone, Mumbai

viii. According to the information and explanations given to us and on the basis of our examination of the records, the Corporation has not defaulted in the repayment of loans or borrowings to financial institutions, banks or debenture holders. The Corporation has not taken loans or borrowings from government.

ix. According to the information and explanations given to us and based on our examination of the records, the Corporation has applied the money raised from term loans during the year for the purposes for which they were raised other than temporary deployment pending application of proceeds. The Corporation has not raised money by way of public offer during the year.

x. According to the information and explanations given to us, no material fraud by the Corporation or on the Corporation by its officers or employees has been noticed or reported during the year.

xi. According to the information and explanations given to us and based on our examination of the records, the Corporation has paid / provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

xii. According to the information and explanations given to us, the Corporation is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

xiii. According to the information and explanations given to us and based on our examination of the records of the Corporation, all transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and the details of such transactions have been disclosed in the standalone financial statements, as required by the applicable accounting standards.

xiv. According to the information and explanations given to us and based on our examination of the records, the Corporation has not made any preferential allotment and private placement of shares or fully or partly convertible debentures during the year.

xv. According to the information and explanations given to us and based on our examination of the records, the Corporation has not entered into any non-cash transactions with Directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

xvi. According to the information and explanations given to us, the Corporation is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Thus, paragraph 3 (xvi) of the Order is not applicable to the Corporation.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

AKEEL MASTER
Partner
Membership No: 046768
ICAI UDIN: 20046768AAAAIE2889

Mumbai
25 May 2020

Annexure "B" to the Independent Auditors' Report – 31 March 2020

(Referred to in our report of even date)

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the 'Act')

(Referred to in paragraph (2A.f.) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to standalone financial statements of Housing Development Finance Corporation Limited (the 'Corporation') as of 31 March 2020 in conjunction with our audit of the standalone financial statements of the Corporation for the year ended on that date.

In our opinion, the Corporation has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to financial statements criteria established by the Corporation considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the 'Guidance Note').

Management's and Board of Directors responsibility for internal financial controls

The Corporation's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Corporation considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Corporation's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's responsibility

Our responsibility is to express an opinion on the Corporation's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143 (10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal financial control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Corporation's internal financial controls with reference to financial statements.

Meaning of internal financial controls with reference to financial statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent limitations of internal financial controls with reference to financial statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

AKEEL MASTER
Partner
Membership No: 046768
ICAI UDIN: 20046768AAAAIE2889

Mumbai
25 May 2020

Balance Sheet as at March 31, 2020

		Notes	As at March 31, 2020	As at March 31, 2019
				₹ in Crore
ASSETS				
(1)	**Financial Assets**			
(a)	Cash and Cash Equivalents	5	**3,141.88**	360.80
(b)	Bank Balances other than (a) above	6	**283.81**	1,235.46
(c)	Derivative Financial Instruments	7	**5,709.28**	1,403.35
(d)	Receivables			
	(i) Trade Receivables	8	**230.06**	186.86
	(ii) Other Receivables		**-**	-
(e)	Loans	9	**4,39,943.28**	4,00,759.63
(f)	Investments	10	**64,944.37**	46,240.35
(g)	Other Financial Assets	11	**2,742.01**	3,894.34
	Total Financial Assets		**5,16,994.69**	4,54,080.79
(2)	**Non-Financial Assets**			
(a)	Current Tax Assets (Net)	12.1	**3,101.78**	2,750.18
(b)	Deferred Tax Assets (Net)	12.2	**1,567.94**	830.91
(c)	Investment Property	13	**890.43**	321.32
(d)	Property, Plant and Equipment	14	**986.10**	644.23
(e)	Other Intangible Assets	15	**362.85**	7.10
(f)	Other Non-Financial Assets	16	**189.77**	143.02
	Total Non-Financial Assets		**7,098.87**	4,696.76
	Total Assets		**5,24,093.56**	4,58,777.55

Balance Sheet as at March 31, 2020 (Continued)

₹ in Crore

		Notes	As at March 31, 2020	As at March 31, 2019
LIABILITIES AND EQUITY				
LIABILITIES				
(1)	**Financial Liabilities**			
(a)	Derivative Financial Instruments	7	320.67	164.75
(b)	Payables	17		
	(A) Trade Payables			
	(i) Total outstanding dues of micro enterprises and small enterprises	17.1	3.90	1.47
	(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		192.90	188.70
	(B) Other Payables			
	(i) Total outstanding dues of micro enterprises and small enterprises		-	-
	(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		-	-
(c)	Debt Securities	18	1,76,868.71	1,77,566.91
(d)	Borrowings (Other than Debt Securities)	19	1,04,908.64	77,548.54
(e)	Deposits	20	1,32,324.29	1,05,598.94
(f)	Subordinated Liabilities	21	5,000.00	5,500.00
(g)	Other Financial Liabilities	22	15,896.48	13,720.49
	Total Financial Liabilities		4,35,515.59	3,80,289.80
(2)	**Non-Financial Liabilities**			
(a)	Current Tax Liabilities (Net)	23	192.90	146.43
(b)	Provisions	24	260.54	209.55
(c)	Other Non-Financial Liabilities	25	1,966.47	776.30
	Total Non-Financial Liabilities		2,419.91	1,132.28
	Total Liabilities		4,37,935.50	3,81,422.08
(3)	**Equity**			
(a)	Equity Share Capital	26	346.41	344.29
(b)	Other Equity	27	85,811.65	77,011.18
	Total Equity		86,158.06	77,355.47
	Total Liabilities and Equity		5,24,093.56	4,58,777.55

See accompanying notes forming part of the financial statement

As per our report of even date attached.

Directors

For **B S R & Co. LLP**
Chartered Accountants
Firms' Regst. No: 101248W/W-100022

Akeel Master
Partner
Membership No. 046768

MUMBAI, May 25, 2020

Deepak S. Parekh
Chairman
(DIN: 00009078)

Keki M. Mistry
Vice Chairman &
Chief Executive Officer
(DIN: 00008886)

Renu Sud Karnad
Managing Director
(DIN: 00008064)

J. J. Irani
(DIN: 00311104)

U. K. Sinha
(DIN: 00010336)

Bhaskar Ghosh
(DIN: 06656458)

V. Srinivasa Rangan
Executive Director &
Chief Financial Officer
(DIN: 00030248)

Nasser Munjee
(DIN: 00010180)

Jalaj Dani
(DIN: 00019080)

Ireena Vittal
(DIN: 05195656)

Ajay Agarwal
Company Secretary
(FCS: 9023)

Statement of Profit and Loss for the year ended March 31, 2020

₹ in Crore

			Notes	Year ended March 31, 2020	Year ended March 31, 2019
REVENUE FROM OPERATIONS					
	(i)	Interest Income	28	42,647.12	38,335.18
	(ii)	Surplus from deployment in Cash Management Schemes of Mutual Funds		1,102.21	943.79
	(iii)	Dividend Income	29.1	1,080.68	1,130.64
	(iv)	Rental Income	29.2	70.36	65.07
	(v)	Fees and Commission Income	29.3	192.78	182.41
	(vi)	Net Gain on Fair Value Changes	29.4	9,119.04	552.11
	(vii)	Profit on Sale of Investments	29.5	3,523.75	1,212.35
	(viii)	Profit on Sale of Investments Properties		35.11	66.50
	(ix)	Income on Derecognised (assigned) Loans	29.6	967.87	859.99
(I)	**Total Revenue from Operations**			58,738.92	43,348.04
(II)	**Other Income**			24.42	29.97
(III)	**Total Income (I + II)**			58,763.34	43,378.01
EXPENSES					
	(i)	Finance Cost	30	31,001.36	27,837.67
	(ii)	Impairment on Financial Instruments (Expected Credit Loss)	31	5,913.10	935.00
	(iii)	Employee Benefit Expenses	32	592.92	716.53
	(iv)	Depreciation, Amortisation and Impairment	13,14 & 15	147.74	66.53
	(v)	Establishment Expenses	33	40.37	107.57
	(vi)	Other Expenses	34	716.93	595.94
(IV)	**Total Expenses (IV)**			38,412.42	30,259.24
(V)	**Profit Before Tax (III - IV)**			20,350.92	13,118.77
		Tax expense			
		- Current tax		2,571.68	3,307.11
		- Deferred tax		9.59	179.20
(VI)	**Total Tax Expense**		12.3	2,581.27	3,486.31
(VII)	**Net Profit After Tax (V - VI)**			17,769.65	9,632.46

Statement of Profit and Loss for the year ended March 31, 2020 (Continued)

₹ in Crore

			Notes	Year ended March 31, 2020	Year ended March 31, 2019
(VIII)	**Other Comprehensive Income**				
	(A) (i)	Items that will not be reclassified to profit or (loss)		**(7,398.62)**	(186.41)
	(ii)	Income tax relating to items that will not be reclassified to profit or (loss)		**683.03**	47.41
	Sub Total (A)		35	**(6,715.59)**	(139.00)
	(B) (i)	Items that will be reclassified to profit or (loss)		**84.56**	11.48
	(ii)	Income tax relating to items that will be reclassified to profit or (loss)		**(21.28)**	(4.01)
	Sub Total (B)		35	**63.28**	7.47
	Other Comprehensive Income (A + B)			**(6,652.31)**	(131.53)
(IX)	**Total Comprehensive Income (VII + VIII)**			**11,117.34**	9,500.93
(X)	**Earnings per Equity Share**		36		
		Basic (₹)		**102.91**	56.53
		Diluted (₹)		**102.12**	56.08

See accompanying notes forming part of the financial statement

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firms' Regst. No: 101248W/W-100022

Akeel Master
Partner
Membership No. 046768

MUMBAI, May 25, 2020

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(DIN: 00009078)

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Vice Chairman &
Chief Executive Officer
(DIN: 00008886)

Renu Sud Karnad
Managing Director
(DIN: 00008064)

Directors

J. J. Irani
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Nasser Munjee
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Jalaj Dani
(DIN: 00019080)

Ireena Vittal
(DIN: 05195656)

Ajay Agarwal
Company Secretary
(FCS: 9023)

Statement of Changes in Equity for the year ended March 31, 2020

A. Equity Share Capital

	Notes	₹ in Crore Amount
As at April 1, 2018		335.18
Equity share capital issued during the year		9.11
As at April 1, 2019	26	344.29
Equity share capital issued during the year		2.12
As at March 31, 2020	26	346.41

B. Other Equity (Refer Note 27)

₹ in Crore

Particulars	Reserves and Surplus								Other Comprehensive Income			Employee Stock Option Reserve	Foreign Currency Monetary Item Translation	Money received against share warrants	Total
	Capital Reserve	Securities Premium	Retained Earnings	General Reserve	Special Reserve I	Special Reserve II	Statutory Reserve	Shelter Assistance Reserve	Equity Instruments through Other Comprehensive Income	Effective portion of Cash Flow Hedges	Cost of Hedge				
Balance as at April 1, 2018 (Opening Balance)	0.04	24,269.45	7,929.24	15,905.51	51.23	11,166.95	4,927.42	18.15	(43.17)	(232.36)	-	937.61	(50.72)	50.38	64,929.73
Changes in accounting policy/prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restated balance at the beginning of the reporting period	**0.04**	**24,269.45**	**7,929.24**	**15,905.51**	**51.23**	**11,166.95**	**4,927.42**	**18.15**	**(43.17)**	**(232.36)**	**-**	**937.61**	**(50.72)**	**50.38**	**64,929.73**
Profit for the year	-	-	9,632.46	-	-	-	-	-	-	-	-	-	-	-	**9,632.46**
Other Comprehensive Income for the year	-	-	(11.94)	-	-	-	-	-	(127.06)	9.91	(2.44)	-	-	-	**(131.53)**
Total Comprehensive Income for the year	**-**	**-**	**9,620.52**	**-**	**-**	**-**	**-**	**-**	**(127.06)**	**9.91**	**(2.44)**	**-**	**-**	**-**	**9,500.93**
Movement for the year	-	-	-	-	-	-	-	-	-	-	-	211.09	58.15	-	**269.24**
Transfer of Securities premium on conversion of warrants and exercise of ESOP	-	101.02	-	-	-	-	-	-	-	-	-	(50.64)	-	(50.38)	-
Dividends including tax on dividend	-	-	(3,964.52)	-	-	-	-	-	-	-	-	-	-	-	**(3,964.52)**
Transfer from retained earnings	-	-	(1,950.00)	-		1,850.00	100.00	-	-	-	-	-	-	-	-
Received during the year	-	6,290.74	-	-	-	-	-	-	-	-	-	-	-	-	**6,290.74**
Utilised during the year	-	-	-	-	-	-	-	(14.94)	-	-	-	-	-	-	**(14.94)**
Balance as at March 31, 2019	**0.04**	**30,661.21**	**11,635.24**	**15,905.51**	**51.23**	**13,016.95**	**5,027.42**	**3.21**	**(170.23)**	**(222.45)**	**(2.44)**	**1,098.06**	**7.43**	**-**	**77,011.18**

Particulars	Reserves and Surplus								Other Comprehensive Income			Employee Stock Option Reserve	Foreign Currency Monetary Item Translation	Money received against share warrants	Total
	Capital Reserve	Securities Premium	Retained Earnings	General Reserve	Special Reserve I	Special Reserve II	Statutory Reserve	Shelter Assistance Reserve	Equity Instruments through Other Comprehensive Income	Effective portion of Cash Flow Hedges	Cost of Hedge				
Balance as at April 1, 2019 (Opening Balance)	**0.04**	**30,661.21**	**11,635.24**	**15,905.51**	**51.23**	**13,016.95**	**5,027.42**	**3.21**	**(170.23)**	**(222.45)**	**(2.44)**	**1,098.06**	**7.43**	**-**	**77,011.18**
Changes in accounting policy/prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restated balance at the beginning of the reporting period	**0.04**	**30,661.21**	**11,635.24**	**15,905.51**	**51.23**	**13,016.95**	**5,027.42**	**3.21**	**(170.23)**	**(222.45)**	**(2.44)**	**1,098.06**	**7.43**	**-**	**77,011.18**
Profit for the year	-	-	17,769.65	-	-	-	-	-	-	-	-	-	-	-	**17,769.65**
Other Comprehensive Income for the year	-	-	(31.99)	-	-	-	-	-	(6,683.60)	41.86	21.42	-	-	-	**(6,652.31)**
Total Comprehensive Income for the year	**-**	**-**	**17,737.66**	**-**	**-**	**-**	**-**	**-**	**(6,683.60)**	**41.86**	**21.42**	**-**	**-**	**-**	**11,117.34**
Movement for the year	-	-	-	-	-	-	-	-	-	-	-	13.64	(7.43)	-	**6.21**
Transfer of Securities premium on exercise of ESOP	-	102.28	-	-	-	-	-	-	-	-	-	(102.28)	-	-	-
Dividends including tax on dividend	-	-	(3,600.63)	-	-	-	-	-	-	-	-	-	-	-	**(3,600.63)**
Transfer from retained earnings	-	-	(11,634.60)	8,034.60	-	3,400.00	200.00	-	-	-	-	-	-	-	-
Received during the year	-	1,280.66	-	-	-	-	-	-	-	-	-	-	-	-	**1,280.66**
Utilised during the year	-	-	-	-	-	-	-	(3.11)	-	-	-	-	-	-	**(3.11)**
Balance as at March 31, 2020	**0.04**	**32,044.15**	**14,137.67**	**23,940.11**	**51.23**	**16,416.95**	**5,227.42**	**0.10**	**(6,853.83)**	**(180.59)**	**18.98**	**1,009.42**	**-**	**-**	**85,811.65**

See accompanying notes forming part of the financial statement

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firms' Regst. No: 101248W/W-100022

Akeel Master
Partner
Membership No. 046768

MUMBAI, May 25, 2020

Directors

Deepak S. Parekh
Chairman
(DIN: 00009078)

Keki M. Mistry
Vice Chairman &
Chief Executive Officer
(DIN: 00008886)

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Managing Director
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Ireena Vittal
(DIN: 05195656)

Ajay Agarwal
Company Secretary
(FCS: 9023)

Cash Flow Statement for the year ended March 31, 2020

₹ in Crore

			Year ended March 31, 2020	Year ended March 31, 2019
A	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Profit before tax		**20,350.92**	13,118.77
	Adjustments for:			
	Depreciation, Amortisation and Impairment		**147.74**	66.53
	Impairment on Financial Instruments (Expected Credit Loss)		**5,913.10**	935.00
	Expense on Employee Stock Option Scheme		**13.64**	211.09
	Net gain on fair value changes		**(9,119.04)**	(552.11)
	Interest Expense		**30,797.57**	27,672.04
	Interest Income		**(43,942.11)**	(39,240.24)
	Profit on Sale of Investments		**(3,523.75)**	(1,212.35)
	(Profit) / Loss on Sale of Investment Properties and Fixed Assets (Net)		**(35.11)**	(66.97)
	Utilisation of Shelter Assistance Reserve		**(3.11)**	(14.94)
	Operating Profit before Working Capital changes and adjustment for interest received and paid		**599.85**	916.82
	(Increase) / Decrease in Financial Assets and Non Financial Assets		**(3,217.84)**	(2,569.73)
	Increase / (Decrease) in Financial and Non Financial Liabilities		**1,669.33**	160.31
	Cash used in Operations before adjustments for interest received and paid		**(948.66)**	(1,492.60)
	Interest Received		**43,505.61**	38,880.79
	Interest Paid		**(30,564.30)**	(26,731.53)
	Taxes Paid		**(2,961.68)**	(2,313.05)
	Net cash from Operations		**9,030.97**	8,343.61
	Loans disbursed (net)		**(45,344.63)**	(43,919.93)
	Corporate Deposits (net)		**1,010.50**	(412.08)
	Investment in Cash Management Schemes of Mutual Funds (Net)		**(8,524.44)**	(5,177.10)
	Net cash used in operating activities	A	**(43,827.60)**	(41,165.50)
B	**CASH FLOW FROM INVESTING ACTIVITIES**			
	Purchase of Fixed Assets		**(78.06)**	(47.54)
	Sale of Fixed Assets		**0.89**	0.89
	Net Cash used for Fixed Assets		**(77.17)**	(46.65)
	Purchase of Investment Properties		**(278.73)**	(7.97)
	Sale of Investment Properties		**65.43**	122.04
	Net Cash flow from / used for Investment Properties		**(213.30)**	114.07
	Investments			
	- in Subsidiary Companies		**(2,156.72)**	(121.24)
	- in Associates Companies		**(86.71)**	(8,569.75)
	Other Investments :			
	- Purchase of Investments		**(5,571.92)**	(2,066.98)
	- Sale of Investments		**612.45**	738.75
	Sale of Investments in subsidiaries		**1,639.14**	0.00
	Net cash used for investing activities	B	**(5,854.23)**	(9,951.80)

Cash Flow Statement for the year ended March 31, 2020 (Continued)

			Year ended March 31, 2020	Year ended March 31, 2019 (₹ in Crore)
C	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Share Capital - Equity		**2.12**	9.11
	Securities Premium received		**1,280.66**	6,290.74
	Sale proceeds of Investments in Subsidiary Companies		**1,903.27**	1,248.87
	Borrowings and Deposits (Net)		**54,078.02**	45,181.50
	Proceeds from Debt Securities and Subordinated Liabilities		**1,02,820.65**	1,52,226.75
	Repayment of Debt Securities and Subordinated Liabilities		**(1,04,018.86)**	(1,50,730.34)
	Dividend paid - Equity Shares		**(3,021.60)**	(3,407.56)
	Tax paid on Dividend		**(581.35)**	(573.10)
	Net cash from financing activities	**C**	**52,462.91**	50,245.97
	Net Decrease in cash and cash equivalents	[A+B+C]	**2,781.08**	(871.33)
	Add : Cash and cash equivalents as at the beginning of the year		**360.80**	1,232.13
	Cash and cash equivalents as at the end of the year		**3,141.88**	360.80
	Components of cash and cash equivalents			
	Cash on hand		**0.14**	0.44
	In Current Accounts		**3,110.38**	277.71
	In Deposit accounts with original maturity of 3 months or less		**-**	-
	Cheques on hand		**31.36**	82.65
	Total		**3,141.88**	360.80

Note 1

During the year, the Corporation has received Dividend of ₹ 1,080.68 Crore (Previous year ₹ 1,130.64 Crore).

Note 2

Net movement in Borrowings (including Debt Securities), Deposits and Subordinated Liabilities amounting to ₹ 52,887.25 Crore (Previous year ₹ 45,550.00 Crore) includes fresh issuance, repayments and effect of changes in foreign exchange rates.

See accompanying notes to the standalone financial statements

As per our report of even date attached.

Directors

For **B S R & Co. LLP**
Chartered Accountants
Firms' Regst. No: 101248W/W-100022

Akeel Master
Partner
Membership No. 046768

MUMBAI, May 25, 2020

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(DIN: 05195656)

Ajay Agarwal
Company Secretary
(FCS: 9023)

Notes forming part of the standalone financial statements

1 Corporation Overview

Housing Development Finance Corporation Limited (‘HDFC’ or ‘the Corporation’ or ‘the Company’) was incorporated in 1977 as the first specialised Mortgage Company domiciled in India as a limited company having its Corporate office at HDFC House, H T Parekh Marg, Churchgate, Mumbai 400 020. The principal business is providing finance to individuals, corporates and developers for the purchase, construction, development and repair of houses, apartments and commercial properties in India. The business is conducted through its branches in India and its overseas offices at London, Singapore and Dubai supported by a network of agents for sourcing loans as well as deposits. HDFC is the holding company for investments in its associates and subsidiary companies. The Corporation is a public limited company and its shares are listed on the Bombay Stock Exchange (BSE), India, and the National Stock Exchange (NSE), India, and the Corporation’s Synthetic INR Denominated bonds are listed on the London Stock Exchange.

2 Basis of Preparation and Presentation

2.1 **Statement of Compliance and basis of preparation and presentation**

The standalone financial statements (“financial statements”) have been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 as per Section 133 of the Companies Act, 2013 and relevant amendment rules issued thereafter (“Ind AS”).

The financial statements have been prepared and presented on going concern basis and at historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period as explained below, the relevant provisions of the Companies Act, 2013 (the “Act”) and the guidelines issued by the National Housing Bank (“NHB”) to the extent applicable.

The Balance Sheet, the Statement of Profit and Loss and the Statement of Changes in Equity are prepared and presented in the format prescribed in the Division III of Schedule III to the Act. The Statement of Cash Flows has been prepared and presented as per the requirements of Ind AS 7 “Statement of Cash Flows”.

Amounts in the financial statements are presented in Indian Rupees in Crore rounded off to two decimal places as permitted by Schedule III to the Act. Per share data is presented in Indian Rupee to two decimal places. The Corporation presents its Balance Sheet in the order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 39.

Accounting policies have been consistently applied except where a newly-issued Ind AS is initially adopted or a revision to an existing Ind AS requires a change in the accounting policy hitherto in use.

2.2 **Functional and Presentation Currency**

The financial statements are presented in Indian Rupees (₹) which is the functional and the presentation currency of the Corporation and all values are rounded to the nearest Crore with two decimals, except when otherwise indicated.

2.3 **Basis of Measurement**

The financial statements have been prepared on historical cost basis except for certain financial instruments that are measured at fair values.

A historical cost is a measure of value used in accounting in which the price of an asset on the balance sheet is based on its nominal or original cost when acquired by the Corporation.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Corporation takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share based payment transactions that are within the scope of Ind AS 102 Share based Payment, leasing transactions that are within the scope of Ind AS 116 Leases.

Fair value measurements under Ind AS are categorised into fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation can access on measurement date.
- Level 2 inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 where unobservable inputs are used for the valuation of assets or liabilities.

2.4 Use of Estimates and Judgements

The preparation of the financial statements in conformity with Indian Accounting Standards (“Ind AS”) requires the management to make estimates, judgements and assumptions. These estimates, judgements and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Accounting estimates could change from period to period. Actual results could differ from those estimates. Revisions to accounting estimates are recognised prospectively. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

2.4.1 Determination of Expected Credit Loss (“ECL”)

The measurement of impairment losses (ECL) across all categories of financial assets requires judgement.

In particular, the estimation of the amount and timing of future cash flows based on Corporation’s historical experience and collateral values when determining impairment losses along with the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Elements of the ECL models that are considered accounting judgements and estimates include:

- Bifurcation of the financial assets into different portfolios when ECL is assessed on collective basis.
- Corporation’s criteria for assessing if there has been a significant increase in credit risk. (Refer Note 3.2.3.2)
- Development of ECL models, including choice of inputs / assumptions used.

The various inputs used and process followed by the Corporation in measurement of ECL has been detailed in Note 3.2.3.1.

2.4.2 Fair Valuation of Investments (other than Investment in Subsidiaries and Associates)

Some of the Corporation’s Investments (other than Investment in Subsidiaries and Associates) are measured at fair value. In determining the fair value of such Investments, the Corporation uses quoted prices (unadjusted) in active markets for identical assets or based on inputs which are observable either directly or indirectly.

Notes forming part of the standalone financial statements (Continued)

However in certain cases, the Corporation adopts valuation techniques and inputs which are not based on market data. When Market observable information is not available, the Corporation has applied appropriate valuation techniques and inputs to the valuation model.

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Information about the valuation techniques and inputs used in determining the fair value of Investments are disclosed in Note 44.3.2.

2.4.3 **Income Taxes**

The Corporation's tax jurisdiction is in India. Significant judgements are involved in determining the provision for income taxes, including amount expected to be paid/recovered for certain tax positions.

2.4.4 **Evaluation of Business Model**

Classification and measurement of financial instruments depends on the results of the Solely Payments of Principal and Interest on the principal amount outstanding ("SPPI") (refer note 3.2.2.1.5) and the business model test (refer note 3.2.2.1.4). The Corporation determines the business model at a level that reflects how the Corporation's financial instruments are managed together to achieve a particular business objective.

The Corporation monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Corporation's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those instruments.

2.4.5 **Share-Based Payments**

Estimating fair value for share-based payment transactions requires use of an appropriate valuation model. The Corporation measures the cost of equity-settled transactions with Option holders using Black-Scholes Model to determine the fair value of the options on the grant date.

Inputs into the valuation model, includes assumption such as the expected life of the share option, volatility and dividend yield.

Further details used for estimating fair value for share-based payment transactions are disclosed in Note 3.9.1.

2.4.6 **Defined Benefit Plans**

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

3 **Significant Accounting Policies**

3.1 **Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured and there exists reasonable certainty of its recovery.

Notes forming part of the standalone financial statements (Continued)

3.1.1 **Interest**

Interest income on financial instruments is recognised on a time proportion basis taking into account the amount outstanding and the effective interest rate applicable.

Effective Interest Rate ("EIR")

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets measured at fair value through profit and loss ("FVTPL"), transaction costs are recognised in the statement of profit and loss at initial recognition.

Interest income/expenses is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets/liabilities (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets, interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses).

3.1.2 **Dividend Income**

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

3.1.3 **Fee and Commission Income**

Fee and commission income include fees other than those that are an integral part of EIR. The Corporation recognises the fee and commission income in accordance with the terms of the relevant contracts / agreement and when it is probable that the Corporation will collect the consideration.

3.1.4 **Rental Income**

Income from operating leases are recognised in the statement of profit and loss as per the contractual rentals unless another systematic basis is more representative of the time pattern in which benefits are derived from the leased assets.

3.1.5 **Other Income**

Other Income represents income earned from the activities incidental to the business and is recognised when the right to receive the income is established as per the terms of the contract.

3.2 **Financial Instruments**

3.2.1 **Recognition and Initial Measurement**

Financial assets and liabilities, (including financial instruments received in settlement of erstwhile loan assets) with the exception of loans, debt securities, deposits and borrowings are initially recognised on the trade date, i.e., the date that the Corporation becomes a party to the contractual provisions of the instrument. Loans are recognised when fund transfer is initiated or disbursement cheque is issued to the customer. The Corporation recognises debt securities, deposits and borrowings when funds are received by the Corporation.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs and revenues that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities measured at FVTPL) are added to or deducted from the fair value of

Notes forming part of the standalone financial statements (Continued)

the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs and revenues directly attributable to the acquisition of financial assets or financial liabilities measured at FVTPL are recognised immediately in the statement of profit and loss.

If the transaction price differs from fair value at initial recognition, the Corporation recognise for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in the statement of profit and loss on initial recognition (i.e. day 1 profit or loss);
- In all other cases, the fair value will be adjusted to defer the difference between the fair value at initial recognition and the transaction price.

After initial recognition, the deferred gain or loss will be recognised in the statement of profit and loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

3.2.2 Classification and Subsequent Measurement of Financial Assets and Liabilities

3.2.2.1 *Financial Assets*

The Corporation classifies and measures all its financial assets based on the business model for managing the assets and the asset's contractual terms, either at:

- Amortised cost
- Fair Value through other comprehensive income
- Fair Value through Profit and Loss

3.2.2.1.1 Amortised Cost

The Corporation classifies and measures cash and bank balances, Loans, Trade receivable, certain debt investments and other financial assets at amortised cost if the following condition is met:

- Financial Assets that are held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows, and that have contractual cash flows that are SPPI;

3.2.2.1.2 Fair Value through Other Comprehensive Income ("FVOCI")

The Corporation classifies and measures certain debt instruments at FVOCI when the investments are held within a business model, the objective of which is achieved by both, collecting contractual cash flows and selling the financial instruments and the contractual terms of the financial instruments meet the SPPI test.

The Corporation measures all equity investments at fair value through profit or loss, unless the investments is not for trading and the Corporation's management has elected to classify irrevocably some of its equity investments as equity instruments at FVOCI, when such instruments meet the definition of Equity under Ind AS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

3.2.2.1.3 Fair Value through Profit and Loss ("FVTPL")

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; and/or
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or

- Assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in the statement of profit and loss.

3.2.2.1.4 **Business Model Test**

An assessment of business model for managing financial assets is fundamental to the classification of a financial asset. The Corporation determines the business model at a level that reflects how financial assets are managed together to achieve a particular business objective. The Corporation's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Corporation considers all relevant information and evidence available when making the business model assessment such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Corporation's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Corporation determines whether newly recognised financial assets are part of an existing business model or whether they reflect a new business model. The Corporation reassesses it's business model at each reporting period to determine whether the business model has changed since the preceding period. For the current and prior reporting period the Corporation has not identified a change in its business model.

The Corporation recognises certain loans which are sourced by a third party and measured at amortised cost. The third party has the contractual right to acquire a fixed percentage of value of the loans at predetermined price. The loans assigned are substituted by newly sourced loans which approximate the contractual cash flows to be collected by the Corporation.

3.2.2.1.5 **Solely Payments of Principal and Interest ("SPPI") on the principal amount outstanding**

For an asset to be classified and measured at amortised cost or at FVOCI, its contractual terms should give rise to cash flows that meet SPPI test.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI.

3.2.2.1.6 **Subsequent Measurement and Gain and Losses**

Financial Assets at Amortised Cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised

Notes forming part of the standalone financial statements (Continued)

cost is reduced by impairment losses. Interest income and impairment loss are recognised in statement of profit and loss. Any gain or loss on derecognition is recognised in statement of profit and loss.

Debt Instrument at FVOCI

These assets are subsequently measured at fair value. Interest income and impairment loss are recognised in statement of profit and loss. Any gain or loss on subsequent measurement is recognised in OCI and on derecognition the cumulative gain or loss recognised in OCI will be recycled to statement of profit and loss.

Equity Instrument at FVOCI

Gains and losses on equity instruments at FVOCI are never recycled to the statement of profit and loss. Dividends are recognised in profit or loss as dividend income when the right of the payment has been established, except when the Corporation benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gain or losses, including any interest or dividend income, are recognised in statement of profit and loss.

3.2.2.1.7 **Reclassifications**

If the business model under which the Corporation holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Corporation's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Corporation holds financial assets and therefore no reclassifications were made.

3.2.2.2 **Financial Liabilities and Equity Instruments**

3.2.2.2.1 ***Classification as Debt or Equity***

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Corporation or a contract that will or may be settled in the Corporation's own equity instruments and is a non-derivative contract for which the Corporation is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Corporation's own equity instruments.

3.2.2.2.2 ***Equity Instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recognised at the face value and proceeds received in excess of the face value are recognised as Securities Premium.

3.2.2.2.3 ***Subsequent Measurement and Gain and Losses***

Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in statement of profit and loss. Any gain or loss on derecognition is recognised in statement of profit and loss.

Notes forming part of the standalone financial statements (Continued)

3.2.3 **Impairment and Write-off**

The Corporation recognises loss allowances for Expected Credit Losses on the following financial instruments that are not measured at FVTPL:

- Loans and advances to customers;
- Other financial assets;
- Debt instruments measured at amortised cost and at FVOCI;
- Loan commitments; and
- Financial guarantees.

Equity instruments are measured at fair value and not subject to impairment loss.

ECL is required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. loss allowance on default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Lifetime ECL, i.e. lifetime ECL that results from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECL is measured at an amount equal to the 12-month ECL.

The Corporation has established a policy to perform an assessment at the end of each reporting period whether a financial instrument's credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instruments.

Based on the above process, the Corporation categorises its loans into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1: When loans are first recognised, the Corporation recognises an allowance based on 12 month ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 to Stage 1.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Corporation records an allowance for the life time expected credit losses. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3 to Stage 2.

Stage 3: When loans are considered credit-impaired, the Corporation records an allowance for the life time expected credit losses.

For financial assets for which the Corporation has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

3.2.3.1 ***Measurement of Expected Credit Losses***

The Corporation calculates ECL based on probability-weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the portfolio EIR. A cash shortfall is the difference between the cash flows that are due to the Corporation in accordance with the contract and the cash flows that the Corporation expects to receive.

Notes forming part of the standalone financial statements (Continued)

When estimating ECL for undrawn loan commitments, the Corporation estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

Corporation's ECL for financial guarantee is estimated based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the interest rate relevant to the exposure.

The Corporation measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities after considering the credit conversion factor (for Stage 1 and Stage 2 assets), and accrued interest from missed payments.

Probability of Default (PD) is the probability of whether borrowers will default on their obligations which is calculated based on historical default rate summary of past years using origination vintage analysis.

Loss Given Default (LGD) is an estimate of the loss from a financial asset given that a default occurs. The LGD is computed using the Corporation's own loss and recovery experience. It is usually expressed as a percentage of the EAD.

3.2.3.2 ***Significant Increase in Credit Risk***

The Corporation monitors all financial assets, including loan commitments and financial guarantee contracts issued that are subject to impairment requirements, to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Corporation measures the loss allowance based on lifetime rather than 12-month ECL. The Corporation's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Corporation monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Corporation compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Corporation considers both quantitative and qualitative information that is reasonable and supportable, including historical experience that is available without undue cost or effort.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However the Corporation still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending there is particular focus on assets that are included on a 'watch list'. Given an exposure is on a watch list once, there is a concern that the creditworthiness of the specific counterparty has deteriorated. ECL assessment for watch list accounts is done on a case by case approach after considering the probability of weighted average in different recovery scenario. For individual loans the Corporation considers the expectation of forbearance, payment holidays and events such as unemployment, bankruptcy, divorce or death.

Notes forming part of the standalone financial statements (Continued)

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD is more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when a financial asset becomes 30 days past due, the Corporation considers that a significant increase in credit risk has occurred and the asset is classified in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

3.2.3.3 ***Credit-Impaired Financial Assets***

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- restructuring of loans due to financial difficulty of the borrowers;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event. Instead the combined effect of several events may have caused financial assets to become credit-impaired. The Corporation assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if corporate debt instruments are credit impaired, the Corporation considers factors such as bond yields, credit ratings and the ability of the borrower to raise funds.

A loan is considered credit-impaired when a concession is granted to the borrower due to deterioration in the borrower's financial condition. The definition of default includes unlikeliness to pay indicators and a back-stop if amounts are overdue for 90 days or more.

3.2.3.4 ***Definition of Default***

The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL.

The Corporation considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Corporation; or
- the borrower is unlikely to pay its credit obligations to the Corporation in full.

When assessing if the borrower is unlikely to pay its credit obligation, the Corporation takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not as relevant for individual lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

3.2.3.5 ***Write-off***

Loans and debt securities are written off when the Corporation has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Corporation determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Corporation may apply enforcement activities to financial assets written off. Recoveries resulting from the Corporation's enforcement activities could result in impairment gains.

Notes forming part of the standalone financial statements (Continued)

3.2.4 Modification and Derecognition of Financial Assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Corporation renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. Loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

When a financial asset is modified the Corporation assesses whether this modification results in derecognition. In accordance with the Corporation's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Corporation considers the following:

Qualitative factors, such as contractual cash flows after modification, are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants, if these do not clearly indicate a substantial modification, then; a quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original EIR. If there is a significant difference in present value, the Corporation deems the arrangement substantially different, leading to derecognition.

In the case where the financial asset is derecognised the loss allowances for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the revised terms may lead to a gain or loss on derecognition. The new financial asset may have a loss allowance measured based on 12-month ECL except where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Corporation monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Corporation determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms;
- The remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified, where modification does not result in derecognition, the estimate of PD reflects the Corporation's ability to collect the modified cash flows taking into account the Corporation's previous experience of similar forbearance action, as well as various behavioral indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition, the loss allowance is continued to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans is generally measured based on 12-month ECL when there is evidence of the borrower's improved repayment behavior following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition, the Corporation calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Corporation measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Corporation derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in the statement of profit and loss, with the exception of equity investment designated as measured at FVOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to the statement of profit and loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Corporation retains an option to repurchase part of a transferred asset), the Corporation allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in the statement of profit and loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to the statement of profit and loss.

3.2.5 Derecognition of Financial Liabilities

The Corporation derecognises financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit and loss.

3.2.6 Collateral Valuation and Repossession

To mitigate the credit risk on financial assets, the Corporation seeks to use collateral, where possible as per the powers conferred on the Housing Finance Companies under the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 ("SARFAESI"). The Corporation provides fully secured, partially secured and unsecured loans to individuals and Corporates.

Notes forming part of the standalone financial statements (Continued)

In its normal course of business, the Corporation does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet and not treated as non–current assets held for sale.

3.2.7 Transfer and Servicing of Assets

The Corporation transfers loans through securitisation and direct assignment transactions. The transferred loans are de-recognised and gains/losses are accounted for, only if the Corporation transfers substantially all risks and rewards specified in the underlying assigned loan contract. In accordance with the Ind AS 109, on de-recognition of a financial asset under assigned transactions, the difference between the carrying amount and the consideration received are recognised in the Statement of Profit and Loss.

The Corporation recognises either a servicing asset or a servicing liability for servicing contract. If the fee to be received is not expected to compensate the Corporation adequately for performing the servicing activities, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing activities, a servicing asset is recognised. Corresponding amount is recognised in Statement of Profit and Loss.

3.2.8 Derivative Financial Instruments

The Corporation enters into a variety of derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. Derivatives held include foreign exchange forward contracts, interest rate swaps, cross currency interest rate swaps and foreign exchange option contracts.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognised in the statement of profit and loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in the statement of profit and loss depends on the nature of the hedge relationship. The Corporation designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

3.2.8.1 *Hedge Accounting*

The Corporation makes use of derivative instruments to manage exposures to interest rate and foreign currency. In order to manage particular risks, the Corporation applies hedge accounting for transactions that meet specified criteria.

At the inception of a hedge relationship, the Corporation formally designates and documents the hedge relationship to which the Corporation wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Corporation's risk management objective and strategy for undertaking hedge, the hedging / economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the Corporation would assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Notes forming part of the standalone financial statements (Continued)

Hedges that meet the criteria for hedge accounting are accounted for, as described below:

3.2.8.2 ***Fair Value Hedges***

Fair value hedges hedge the exposure to changes in the fair value of a recognised asset or liability, or an identified portion of such an asset, liability, that is attributable to a particular risk and could affect profit or loss.

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the statement of profit and loss in net gain on fair value changes. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the balance sheet and is also recognised in the statement of profit and loss in net gain on fair value changes.

The Corporation classifies a fair value hedge relationship when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. The financial instruments hedged for interest rate risk in a fair value hedge relationship is fixed rate debt issued and other borrowed funds. If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. If the relationship does not meet hedge effectiveness criteria, the Corporation discontinues hedge accounting from the date on which the qualifying criteria are no longer met. For hedged items recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item on termination of the hedge accounting relationship is amortised over the remaining term of the original hedge using the recalculated EIR method by recalculating the EIR at the date when the amortisation begins. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statement of profit and loss.

3.2.8.3 ***Cash Flow Hedges***

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and could affect profit or loss.

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately as Finance Cost in the statement of profit and loss.

When the hedged cash flow affects the statement of profit and loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the statement of profit and loss.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in OCI at that time remains in OCI and is recognised when the hedged forecast transaction is ultimately recognised in the statement of profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the statement of profit and loss.

3.2.9 **Financial Guarantee Contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Corporation are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

Notes forming part of the standalone financial statements (Continued)

- the amount of the loss allowance determined in accordance with Ind AS 109; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Corporation's revenue recognition policies.

The Corporation has not designated any financial guarantee contracts as FVTPL.

3.3 Property, Plant and Equipment ("PPE")

PPE held for use are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment losses.

PPE is recognised when it is probable that future economic benefits associated with the item is expected to flow to the Corporation and the cost of the item can be measured reliably. PPE is stated at original cost net of tax/duty credits availed, if any, less accumulated depreciation and cumulative impairment, if any. Cost includes professional fees related to the acquisition of PPE.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss.

3.4 Investment Property

Investment properties are properties held to earn rentals and/or capital appreciation and are measured and reported at cost, including transaction costs.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of property is recognised in the Statement of Profit and Loss in the same period.

3.5 Intangible Assets

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the Corporation and the cost of the asset can be measured reliably. Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment. Administrative and other general overhead expenses that are specifically attributable to acquisition of intangible assets are allocated and capitalised as a part of the cost of the intangible assets.

Intangible assets not ready for the intended use on the date of Balance Sheet are disclosed as "Intangible assets under development".

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the assets are recognised in the statement of profit and loss when the asset is derecognised.

3.6 Capital work-in-progress

Capital work in progress includes assets not ready for the intended use and is carried at cost, comprising direct cost and related incidental expenses.

3.7 Depreciation and Amortisation

Depreciation is recognised using straight line method so as to write off the cost of the assets (other than freehold land) less their residual values over their estimated useful lives specified in Schedule II to the Act, or in case of assets where the estimated useful life was determined by technical evaluation, over the useful life so determined. Depreciation method is reviewed at each financial year end to reflect expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life and residual values are also reviewed at each financial year end with the effect of any change in the estimates of useful life/residual value is recognised on prospective basis.

Depreciation for additions to/deductions from, owned assets is calculated pro rata to the period of use.

Freehold land is not depreciated. Leasehold land is amortised over the duration of the lease. The useful life of the property, plant and equipment held by the Corporation is as follows:

Class of assets	Useful life
Buildings	60 years
Computer Hardware*	4 years
Furniture & Fittings	10 years
Office Equipment	5 years
Vehicles*	5 years
Computer Software*	4 years

* For the above class of assets, based on internal assessment and independent technical evaluation carried out by external valuers, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence, the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II of the Act.

Intangible assets are amortised on straight line basis over the estimated useful life of 4 years. The method of amortisation and useful life are reviewed at the end of each accounting year with the effect of any changes in the estimate being accounted for on a prospective basis.

3.8 Impairment of Assets other than Financial Instruments

As at the end of each accounting year, the Corporation reviews the carrying amounts of its PPE, investment property and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the PPE, investment property and intangible assets are tested for impairment so as to determine the impairment loss, if any.

3.9 Employee Benefits

3.9.1 Share-based Payment Arrangements

The stock options granted to employees pursuant to the Corporation's Stock Options Schemes, are measured at the fair value of the options at the grant date using Black Scholes Model. The fair value of the options determined at grant date is accounted as employee compensation cost over the vesting period on a straight line basis over the period of option, based on the number of grants expected to vest, with corresponding increase in equity.

3.9.2 Defined Contribution Plans

3.9.2.1 *Superannuation Fund*

The Corporation's contribution to superannuation fund is considered as a defined contribution plan and is charged as an expense based on the amount of contribution required to be made.

Notes forming part of the standalone financial statements (Continued)

3.9.3 Defined Benefit Plans

3.9.3.1 *Provident Fund*

All employees of the Corporation are entitled to receive benefits under the Provident Fund. The Corporation makes a contribution to provident fund and the schemes thereunder, as recognised by the Income-tax authorities and administered by the trust. The contributions are recognised as an expense in the year in which they are incurred. The Rules of the Corporation's Provident Fund administered by a Trust require that if the Board of Trustees is unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Corporation. Actuarial valuation of this Provident Fund interest shortfall is done as per the guidance note issued in this respect by The Institute of Actuaries of India (IAI) and provision towards this liability, if any is recognised.

3.9.3.2 *Gratuity and Other Post Retirement Benefits*

For defined benefit plans in the form of gratuity fund and post retirement pension scheme for whole-time Directors, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Remeasurements are recognised in the Other Comprehensive Income in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of planned assets.

3.9.3.3 *Short-term Employee Benefits*

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

3.9.3.4 *Long-term Employee Benefits*

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date, based on actuarial valuation.

3.10 Leases

The Corporation as lessee

The Corporation's lease asset classes primarily consist of leases for office premises. The Corporation assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration to assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

(i) the contract involves the use of an identified asset

(ii) the Corporation has substantially all of the economic benefits from use of the asset through the period of the lease and

(iii) the Corporation has the right to direct the use of the asset.

Notes forming part of the standalone financial statements (Continued)

At the date of commencement of the lease, the Corporation recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Corporation changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

The Corporation as Lessor

Leases for which the Corporation is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

For operating leases, rental income is recognized on a straight line basis over the term of the relevant lease.

Transition

Effective April 1, 2019 the Corporation has adopted Ind AS 116 - Leases, which requires any lease arrangement to be recognised in the balance sheet of the lessee as a 'right-of-use' asset with a corresponding lease liability. Accordingly depreciation has been charged on such assets as against lease rental expenses in the previous year. Similarly interest expense has been recognised on lease liabilities under finance costs. As permitted by the standard, the Corporation has applied this standard w.e.f. April 1, 2019 and comparatives for the previous period/year have not been restated.

3.11 Dividends on Ordinary Shares

The Corporation recognises a liability to make cash to equity holders of the Corporation when the dividend is authorised and the distribution is no longer at the discretion of the Corporation. As per the corporate laws in India, an interim dividend is authorised when it is approved by the Board of Directors and final dividend is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

3.12 Cash and Cash Equivalents

Cash comprises of cash on hand and demand deposits with banks. Cash equivalents are short-term deposits with banks (with an original maturity of three months or less from the date of placement) and cheques on hand. Short term and liquid investments being subject to more than insignificant risk of change in value, are not included as part of cash and cash equivalents.

Notes forming part of the standalone financial statements (Continued)

3.13 **Securities Premium Account**

Securities premium is credited when shares are issued at premium. It can be used to issue bonus shares, to provide for premium on redemption of shares and issue expenses of securities which qualify as equity instruments.

3.14 **Borrowing Costs**

Borrowing costs include interest expense calculated using the EIR on respective financial instruments measured at amortised cost, finance charges in respect of assets acquired on finance lease and exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest costs.

3.15 **Foreign Currencies**

(i) Functional currency of the Corporation and foreign operations has been determined based on the primary economic environment in which the Corporation and its foreign operations operate considering the currency in which funds are generated, spent and retained.

(ii) Transactions in currencies other than the Corporation's functional currency are recorded on initial recognition using the exchange rate at the transaction date. At each Balance Sheet date, foreign currency monetary items are reported at the rates prevailing at the year-end. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing spot rate are recognised in the Statement of Profit and Loss in the period in which they arise except for Long Term Monetary Items outstanding as at March 31, 2018, for which differences are recognized in FCMITDA and amortised in Profit & Loss statement.

3.16 **Segments**

The Corporation's main business is financing by way of loans for the purchase or construction of residential houses, commercial real estate or certain other purposes, in India. All other activities of the Corporation revolve around the main business. This in the context of Ind AS 108 – Operating Segments reporting is considered to constitute one reportable segment.

3.17 **Investments in Subsidiaries, Joint Ventures and Associates**

Investments in Subsidiaries and Associates are measured at cost as per Ind AS 27 – Separate Financial Statements.

3.18 **Earnings per share**

Basic earnings per share is computed by dividing profit or loss attributable to ordinary equity holders by the weighted average number of shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of shares and dilutive potential shares, except where the result would be anti-dilutive.

3.19 **Taxes on Income**

Income tax expense comprises current and deferred taxes. Income tax expense is recognized in the statement of profit and loss except when they relate to items that are recognized outside statement of profit and loss (whether in other comprehensive income or directly in equity), in which case tax is also recognized outside statement of profit and loss.

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, and unutilized business

Notes forming part of the standalone financial statements (Continued)

loss and depreciation carry-forwards and tax credits. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses, depreciation carry-forwards and unused tax credits could be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date, and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

Significant accounting estimates and judgements are involved in determining Corporation's tax charge for the year which includes an interpretation of local tax laws, judicial pronouncements and an assessment whether the tax authorities will accept the position taken. These judgements, also, take account of external advice, wherever appropriate, and the Corporation's view on settling with the tax authorities.

The Corporation provides for current tax liabilities at the best estimate that is expected to be paid to the tax authorities where an outflow is probable.

3.20 **Goods and Services Input Tax Credit**

Goods and Services tax input credit is recognised for in the books in the period in which the supply of goods or service received is recognised and when there is no uncertainty in availing/utilising the credits.

3.21 **Provisions, Contingent Liabilities and Contingent Assets**

<u>Provisions are recognised only when:</u>

(i) The Corporation has a present obligation (legal or constructive) as a result of a past event; and

(ii) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(iii) A reliable estimate can be made of the amount of the obligation.

Provision is measured using the cash flows estimated to settle the present obligation and when the effect of time value of money is material, the carrying amount of the provision is the present value of those cash flows.

<u>Contingent liability is disclosed in case of:</u>

(i) A present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation; or

(ii) A present obligation arising from past events, when no reliable estimate is possible.

Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contract, the present obligation under the contract is recognised and measured as a provision.

Notes forming part of the standalone financial statements (Continued)

Contingent Assets:

Contingent assets are not recognised in the financial statements.

Contingent assets are disclosed where an inflow of economic benefits is probable.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

3.22 **Commitments**

Commitments are future liabilities for contractual expenditure, classified and disclosed as follows:

a) Estimated amount of contracts remaining to be executed on capital account and not provided for;

b) Uncalled liability on shares and other investments partly paid;

c) Funding related commitment to associate and joint venture companies; and

d) Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

3.23 **Non-Current Assets held for sale**

Non-current assets are classified as held for sale if their carrying amount is intended to be recovered principally through a sale (rather than through continuing use) when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset and the sale is highly probable and is expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at lower of their carrying amount and fair value less costs to sell.

3.24 **Statement of Cash Flows**

Statement of Cash Flows is prepared segregating the cash flows into operating, investing and financing activities. Cash flow from operating activities is reported using indirect method adjusting the net profit for the effects of:

i. changes during the period in operating receivables and payables transactions of a non-cash nature;

ii. non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses; and

iii. all other items for which the cash effects are investing or financing cash flows.

Cash and cash equivalents (including bank balances) shown in the Statement of Cash Flows exclude items which are not available for general use as on the date of Balance Sheet.

4 **COVID-19 Regulatory Package**

On March 11, 2020, the World Health Organisation declared the novel coronavirus (COVID-19) as a pandemic. Besides the toll that this outbreak has had on human life, it has also disrupted the social, economic and financial structures of the entire world. In India, from March 25, 2020 to May 31, 2020, the central government declared a national lockdown, restricting the movement of the entire population of the country as a preventive measure against the spread of COVID-19.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020, April 17, 2020, the Corporation has offered a moratorium on the payment of instalments falling due between March 1, 2020 and May 31, 2020 (‘moratorium period’) to eligible borrowers.

There remains a high level of uncertainty about the duration of the lockdown and the time required for life and business operations to normalise. The extent to which the COVID-19 pandemic will impact the Corporation’s business and financial statement is at this juncture, dependent on future developments, which are highly uncertain.

Notes forming part of the standalone financial statements (Continued)

5. Cash and Cash Equivalents

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
(i) Cash on hand	**0.14**	0.44
(ii) Balances with banks:		
- In Current Accounts	**3,110.38**	277.71
(iii) Cheques, drafts on hand	**31.36**	82.65
Total	**3,141.88**	**360.80**

5.1 Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Corporation, and earn interest at the respective short-term deposit rates.

6. Bank Balances Other than Cash and Cash Equivalents

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
(i) In other Deposit accounts		
- Original maturity more than 3 months	**167.14**	1,094.20
(ii) Earmarked balances with banks		
- Unclaimed Dividend Account	**24.60**	26.91
- Towards Guarantees Issued by Banks	**0.69**	0.59
- Other - Against Foreign Currency Loans [Refer Note 19.2]	**91.38**	113.76
Total	**283.81**	**1,235.46**

6.1 Fixed deposit placed with banks earns interest at fixed rate or floating rates.

Notes forming part of the standalone financial statements (Continued)

7. Derivative Financial Instruments

The Corporation enters into derivatives for risk management purposes. Derivatives held for risk management purposes as of these reporting dates, meet the hedge accounting requirements.

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts.

The notional amounts indicate the value of transactions outstanding at the year end and are not indicative of either the market risk or credit risk.

₹ in Crore

Particulars	As at March 31, 2020			As at March 31, 2019		
	Notional Amounts*	Fair Value - Assets	Fair Value - Liabilities	Notional Amounts*	Fair Value - Assets	Fair Value - Liabilities
Part I						
(i) Currency derivatives:						
- Forwards	12,391.25	485.00	-	3,176.82	7.42	100.71
- Currency swaps	18,269.88	2,079.45	60.10	12,826.93	311.73	63.93
- Options purchased (net)	11,007.12	856.31	-	6,757.73	122.20	0.11
Subtotal (i)	**41,668.25**	**3,420.76**	**60.10**	**22,761.48**	**441.35**	**164.75**
(ii) Interest rate derivatives						
- INR Interest Rate Swaps	65,100.00	2,288.52	-	55,650.00	962.00	-
- USD Interest Swaps	12,750.40	-	260.57	-	-	-
- Others				-	-	-
Subtotal (ii)	**77,850.40**	**2,288.52**	**260.57**	**55,650.00**	**962.00**	**-**
Total Derivative Financial Instruments (i)+(ii)	**1,19,518.65**	**5,709.28**	**320.67**	**78,411.48**	**1,403.35**	**164.75**
Part II						
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:						
(i) Fair value hedging:						
- Currency derivatives	-	-	-	-	-	-
- Interest rate derivatives	65,100.00	2,288.52	-	55,650.00	962.00	-
Subtotal (i)	**65,100.00**	**2,288.52**	**-**	**55,650.00**	**962.00**	**-**
(ii) Cash flow hedging:						
- Currency derivatives	41,668.25	3,420.76	60.10	22,761.48	441.35	164.75
- Interest rate derivatives	12,750.40	-	260.57	-	-	-
Subtotal (ii)	**54,418.65**	**3,420.76**	**320.67**	**22,761.48**	**441.35**	**164.75**
(iii) Undesignated Derivatives						
- Currency Swaps	-	-	-	-	-	-
- Forwards	-	-	-	-	-	-
Subtotal (iii)	**-**	**-**	**-**	**-**	**-**	**-**
Total Derivative Financial Instruments (i)+(ii)+(iii)	**1,19,518.65**	**5,709.28**	**320.67**	**78,411.48**	**1,403.35**	**164.75**

* Notional amounts of the respective currencies have been converted as at March 31, 2020 and March 31, 2019 exchange rate.

7.1 The Corporation has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Corporation has reviewed and ensured that adequate provision as required under Ind AS for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of accounts.

7.2 Refer Note 44.6.1 for Foreign currency risk.

Notes forming part of the standalone financial statements (Continued)

8. Trade Receivables

₹ in Crore

Particulars	March 31, 2020	March 31, 2019
Receivables considered good - Unsecured	**230.23**	186.87
Receivables which have significant increase in Credit Risk	**-**	-
	230.23	186.87
Less: Provision for Expected Credit Loss	**0.17**	0.01
Total	**230.06**	186.86

8.1 Trade Receivables includes amounts due from the related parties ₹ **118.22 Crore** (Previous Year ₹ 122.04 Crore) [Refer Note 43].

No trade or other receivable are due from directors or other officers of the Corporation either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

There are no receivables for which there has been a significant increase in credit risk or which have become credit impaired.

9. Loans

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Loans (Amortised Cost)		
Individual Loans	**3,25,889.21**	2,88,788.92
Corporate Bodies	**1,18,165.46**	1,10,915.00
Others	**6,814.71**	6,873.17
Staff Loans	**33.38**	29.97
Total – Gross (A)	**4,50,902.76**	4,06,607.06
Less: Impairment loss allowance (Expected Credit Loss)	**10,959.48**	5,847.43
Total – Net (A)	**4,39,943.28**	4,00,759.63
(a) Secured by tangible assets	**4,28,031.07**	3,90,099.06
(b) Secured by intangible assets	**9,068.14**	9,079.19
(c) Covered by bank and government guarantee	**930.75**	1,169.59
(d) Unsecured	**12,872.80**	6,259.22
Total – Gross (B)	**4,50,902.76**	4,06,607.06
Less: Impairment loss allowance (Expected Credit Loss)	**10,959.48**	5,847.43
Total – Net (B)	**4,39,943.28**	4,00,759.63
(I) Loans in India		
(i) Public Sector	**1,142.63**	1,385.99
(ii) Other than Public Sector	**4,49,760.13**	4,05,221.07
Total – Gross (C)(I)	**4,50,902.76**	4,06,607.06
Less: Impairment loss allowance (Expected Credit Loss)	**10,959.48**	5,847.43
Total – Net (C)(I)	**4,39,943.28**	4,00,759.63
(II) Loans outside India	**-**	-
Less: Impairment loss allowance (Expected Credit Loss)	**-**	-
Total – Net (C)(II)	**-**	-
Total (C) (I) and (II)	**4,39,943.28**	4,00,759.63

Notes forming part of the standalone financial statements (Continued)

9 (a) **Loans details**

₹ in Crore

Particulars	Principal	Installment / Interest O/s	EIR Adjustment	Total
As at 31 March 2020				
Individual Loans	3,22,593.17	1,847.74	1,448.29	**3,25,889.21**
Corporate Bodies	1,16,260.68	2,549.59	(644.80)	**1,18,165.47**
Others	6,597.82	216.89	-	**6,814.71**
Staff Loans	33.38	-	-	**33.38**
Total	**4,45,485.05**	**4,614.22**	**803.49**	**4,50,902.76**
As at 31 March 2019				
Individual Loans	2,86,073.48	1,477.04	1,238.40	**2,88,788.92**
Corporate Bodies	1,09,768.46	1,743.51	(596.97)	**1,10,915.00**
Others	6,746.49	126.68	-	**6,873.17**
Staff Loans	29.97	-	-	**29.97**
Total	**4,02,618.40**	**3,347.23**	**641.43**	**4,06,607.06**

9 (b) Loans granted by the Corporation are secured or partly secured by one or a combination of the following securities;

- Registered / equitable mortgage of property;
- Non disposal undertakings in respect of shares, pledge of shares, units, other securities, assignment of life insurance policies;
- Hypothecation of assets;
- Bank guarantees, company guarantees or personal guarantees;
- Negative lien;
- Assignment of receivables;
- Liquidity Support. Collateral [e.g. DSRA (Debt Service Reserve Account), Lien of Fixed Deposit]

9 (c) Loans including Installment and Interest outstanding due from the directors amounts to ₹ **0.02 Crore** (Previous Year ₹ 0.04 Crore) and other related parties ₹ **4.63 Crore** (Previous Year ₹ 112.79 Crore) [Refer Note 43].

9 (d) There were no loans given against the collateral of gold jewellery and hence the percentage of such loans to the total outstanding asset is **Nil** (Previous Year Nil).

9 (e) Loans including Installment and Interest outstanding amounts to ₹ **467.16 Crore** (Previous Year ₹ 447.20 Crore) in respect of properties held for disposal under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

Notes forming part of the standalone financial statements (Continued)

9 (f) **Expected Credit Loss**

Expected Credit loss is a calculation of the present value of the amount expected not to be recovered on a financial asset, for financial reporting purposes. Credit risk is the potential that the obligor and counterparty will fail to meet its financial obligations to the lender. This requires an effective assessment and management of the credit risk at both individual and portfolio level.

The key components of Credit Risk assessment are:

- Probability of Default (PD): represents the likelihood of default over a defined time horizon.
- Exposure at Default (EAD): represents the gross exposure at the time of default.
- Loss Given Default (LGD): represents the proportion of EAD that is likely loss post-default.

The definition of default is taken as more than 90 days past due for all individual loans, corporate loans and others. Delinquency buckets have been considered as the basis for the staging of all loans with:

- 0-30 days past due loans
- 31-90 days past due loans classified as stage 2 and
- > 90 days past due loans classified as stage 3

EAD is the total amount outstanding including accrued interest as on the reporting date. The ECL is computed as a product of PD, LGD and EAD.

Macro-economic variables relevant to the underlying loan portfolio such as Gross Domestic Product, Inflation, Housing price index, Lending rate (repo rate) and the equity indices were analysed for their correlations. The correlation was minimal and consequently the same was not considered in the ECL framework.

COVID-19 - Further, the Corporation has also evaluated its individual and non-individual portfolio to determine any specific category of customers which may reflect higher credit losses (e.g. based on specific sectors) or where the recoveries may be affected due to potential reduction in valuation of the collaterals (e.g. type of collateral, customers where recoveries were expected through realisation of collaterals only etc.). Basis such determination, the Corporation has recognised provisions as management overlay for specific categories of customers identified or recognised additional provisions for specific customers where provisions were originally recognised based on recoverable value of underlying collaterals, as applicable.

Ageing of accounts opting for moratorium and moving into Stage 3 (based on days past due status as of March 31, 2020) has been determined with reference to position as of February 29, 2020.

9.1 **Individual Loans**

9.1.1 **Credit quality of assets**

For the purpose of computing Probability of Default (PD), the Corporation classifies all individual loans at amortized cost and has assessed it at the collective pool level.

Notes forming part of the standalone financial statements (Continued)

The individual loan book has been divided into the following segments –

- housing and non-housing
- salaried and self employed
- geographical location (north, east, west and south)

The vintage analysis methodology has been used to create the PD term structure which incorporates both 12 month (Stage 1 Loans) and lifetime PD (Stage 2 Loans).

The vintage analysis captures a vintage default experience across a particular portfolio by tracking the yearly slippages from advances originating in a particular year. The vintage slippage experience/default rate is then used to build the PD term structure.

The vintage analysis methodology has been used to create the LGD vintage. The LGD vintage takes into account the recovery experience across accounts of a particular portfolio post default. The recoveries are tracked and discounted to the date of default using the interest rate. The Individual Loans portfolio has been considered together for the LGD computation.

9.2 **Corporate Lending**

9.2.1 **Credit quality of assets**

Measurement of ECL for stage 1 and certain stage 2 non individual / corporate loans is based on portfolio approach where PD and LGD is calculated based on historic performance of the portfolio further segmented into: i) Corporate Finance ii) Construction Finance iii) Lease Rental Discounting iv) Inter-Corporate Deposits. Certain loans classified as stage 2 and all the loans classified as stage 3 are assessed for ECL provisioning based on case to case approach by calculating probability weighted average cashflows under different recovery scenarios.

The 12-month PD has been applied on stage 1 loans. The PD term structure i.e. Lifetime PD has been applied on the stage 2 loans according to the repayment schedule for stage 2 loans and PD is considered to be 100% for stage 3 loans. PD has been separately calculated for each segment as described above.

The vintage analysis methodology has been used to create the LGD vintage for measurement of ECL, based on portfolio approach. The LGD vintage takes into account the recovery experience across accounts of a particular portfolio post default. The recoveries are tracked and discounted to the date of default using the effective interest rate.

The Corporation has identified certain non individual accounts as Watch List under Stage 2 based on the following criteria.

- Builders' Cash flows are insufficient to service the loan due to slow sales or the project is stalled.
- Borrowers' operational cashflows are insufficient indicating possibility of further delayed payments.
- Security cover is insufficient for repayment of loans.

Notes forming part of the standalone financial statements (Continued)

- Where the borrowing company has been proceeded upon under Insolvency and Bankruptcy Code (IBC) by creditors and such reference has been admitted by the National Company Law Tribunal (NCLT).

Such accounts identified as watchlist are upgraded by the Corporation, where the management is satisfied that the risks associated with the account has abated.

9.3 ECL Provision

In addition to the management overlays described above in relation to the impact of COVID-19, during the year, the management has recognised additional provisions towards overlay in relation to specific categories of individual customers e.g. customers associated with incomplete projects, impact of reduction in collateral value associated with specific Stage 3 customers, customers associated with projects covered by subvention schemes etc.

Further, during the year, the Corporation has also applied point in time method for determining probability of default in relation to computation of provision under expected credit loss model for non-individual customers.

9.4 An analysis of changes in the gross carrying amount of loans and the corresponding ECL allowances in relation to loans are, as follows:

₹ in Crore

Particulars	2019-20				2018-19			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	3,83,260.55	17,638.23	5,708.28	**4,06,607.06**	3,41,842.52	16,273.85	4,695.04	**3,62,811.41**
Increase in EAD - new assets originated or purchased / further increase in existing assets [Net]	1,38,929.94	1,342.74	564.02	**1,40,836.70**	1,36,924.98	675.82	444.92	**1,38,045.72**
Assets repaid in part or full (excluding write offs) [Net]	(66,288.21)	(2,607.16)	(2,523.76)	**(71,419.13)**	(63,966.62)	(2,919.41)	(1,556.59)	**(68,442.62)**
Assets Derecognised (Loans Assigned)	(24,127.25)	-	-	**(24,127.25)**	(25,150.00)	-	-	**(25,150.00)**
Assets written off	-	-	(994.62)	**(994.62)**	-	-	(657.45)	**(657.45)**
Transfers to Stage 1	2,028.23	(1,736.57)	(291.66)	-	3,854.84	(3,632.75)	(222.09)	-
Transfers to Stage 2	(16,131.88)	16,310.36	(178.48)	-	(9,136.67)	9,673.65	(536.98)	-
Transfers to Stage 3	(1,806.95)	(6,153.14)	7,960.09	-	(1,108.50)	(2,432.93)	3,541.43	-
Gross carrying amount closing balance	**4,15,864.43**	**24,794.46**	**10,243.87**	**4,50,902.76**	**3,83,260.55**	**17,638.23**	**5,708.28**	**4,06,607.06**

Notes forming part of the standalone financial statements (Continued)

9.5 Reconciliation of ECL balance is given below:

₹ in Crore

Particulars	2019-20				2018-19			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
ECL opening balance	240.89	3,134.84	2,471.70	**5,847.43**	181.10	3,293.73	1,955.72	**5,430.55**
ECL Remeasurements due to changes in EAD / assumptions [Net]	844.70	3,345.10	1,916.87	**6,106.67**	(147.25)	866.86	354.72	**1,074.33**
Assets written off	-	-	(994.62)	**(994.62)**	-	-	(657.45)	**(657.45)**
Transfers to Stage 1	131.06	(104.28)	(26.78)	-	832.30	(808.96)	(23.34)	-
Transfers to Stage 2	(821.90)	840.44	(18.54)	-	(621.73)	705.72	(83.99)	-
Transfers to Stage 3	(48.63)	(1,465.81)	1,514.44	-	(3.53)	(922.51)	926.04	-
ECL closing balance	**346.12**	**5,750.29**	**4,863.07**	**10,959.48**	**240.89**	**3,134.84**	**2,471.70**	**5,847.43**

The Expected Credit Loss (ECL) shown above is computed on the Exposure At Default (EAD) which comprises of the Gross Carrying Amount adjusted for the following amounts:

₹ in Crore

Particulars	**As on March 31, 2020**	As on March 31, 2019
EMI / Interest Amounts Received in Advance	**(195.51)**	(180.58)
Undisbursed Loan Component (after applying Credit Conversion Factor)	**20,211.37**	19,695.60
Financial Guarantees	**384.86**	534.98

9.6 Summary of Impairment loss allowance (Expected Credit Loss)

₹ in Crore

Particulars	Stage 1	Stage 2	Stage 3	Total
March 31, 2020	346.12	5,750.29	4,863.07	10,959.48
March 31, 2019	240.89	3,134.84	2,471.70	5,847.43

Stage 1 - Loss allowance measured at 12 month expected credit losses.

Stage 2 and 3 - Loss allowance measured at life-time expected credit losses.

9.7 Concentration of Exposure

₹ in Crore

Particulars	**As on March 31, 2020**	As on March 31, 2019
Total Loans to twenty largest borrowers *	**52,099.32**	41,041.96
Percentage of Loans & Advances to twenty largest borrowers to Total advances of the Corporation	**11.05%**	9.59%

* Loans (principal outstanding, accrued interest, undrawn loan commitment, financial guarantees and inter corporate deposits) outstanding as on date has been considered for the computation of concentration of exposure.

Notes forming part of the standalone financial statements (Continued)

10. INVESTMENTS

₹ in Crore

Investments	As at March 31, 2020						
	Amortised cost	At Fair Value			Sub-Total	Others*	Total
		Through Other Comprehensive Income	Through profit or loss	Designated at FVTPL			
	(1)	(2)	(3)	(4)	(5)=(2)+(3)+(4)	(6)	(7)=(1)+(5)+(6)
Mutual Fund	-	-	24,038.19	-	24,038.19	-	24,038.19
Government securities $	14,268.27	-	-	-	-	-	14,268.27
Equity Shares	-	4,952.21	603.76	-	5,555.97	-	5,555.97
Preference Shares	3.18	-	0.78	-	0.78	-	3.96
Debentures	423.62	101.30	34.58	-	135.88	-	559.50
Subsidiaries - Equity Shares	-	-	-	-	-	4,910.17	4,910.17
Subsidiaries - Debentures	-	-	96.33	-	96.33	-	96.33
Subsidiaries - Venture Fund	-	-	-	-	-	332.48	332.48
Associates - Equity Shares	-	-	-	-	-	14,206.21	14,206.21
Pass-through Certificates	22.57	-	-	-	-	-	22.57
Security Receipts	-	-	176.13	-	176.13	-	176.13
Investment in Units of Venture Capital Fund	-	-	775.21	-	775.21	-	775.21
Total – Gross (A)	14,717.64	5,053.51	25,724.98	-	30,778.49	19,448.86	64,944.99
(i) Investments outside India	-	-	-	-	-	-	-
(ii) Investments in India	14,717.64	5,053.51	25,724.98	-	30,778.49	19,448.86	64,944.99
Total (B)	14,717.64	5,053.51	25,724.98	-	30,778.49	19,448.86	64,944.99
Less: Allowance for Impairment loss (Expected Credit Loss) (C)	0.62	-	-	-	-	-	0.62
Total – Net (D) = (A)-(C)	14,717.02	5,053.51	25,724.98	-	30,778.49	19,448.86	64,944.37

$ The Corporation has not recognised any provision under Expected Credit Loss on Investments made in Government Securities.

* Others includes Investment in subsidiaries and associates which have been carried at cost.

₹ in Crore

Investments	As at March 31, 2019						
	Amortised cost	At Fair Value			Sub-Total	Others*	Total
		Through Other Comprehensive Income	Through profit or loss	Designated at FVTPL			
	(1)	(2)	(3)	(4)	(5)=(2)+(3)+(4)	(6)	(7)=(1)+(5)+(6)
Mutual Funds	-	-	15,425.81	-	15,425.81	-	15,425.81
Government Securities$	10,457.45	-	-	-	-	-	10,457.45
Equity Shares	-	221.93	1,145.99	-	1,367.92	-	1,367.92
Preference Shares	-	-	0.45	-	0.45	-	0.45
Debentures	396.31	356.98	19.96	-	376.94	-	773.25
Subsidiaries - Equity Shares	-	-	-	-	-	2,745.12	2,745.12
Subsidiaries - Preference Shares	-	-	-	-	-	67.00	67.00
Subsidiaries - Venture Fund	-	-	-	-	-	323.95	323.95

Notes forming part of the standalone financial statements (Continued)

₹ in Crore

Investments	As at March 31, 2019						
	Amortised cost	At Fair Value			Sub-Total	Others*	Total
		Through Other Comprehensive Income	Through profit or loss	Designated at FVTPL			
Associates - Equity Shares	-	-	-	-	-	14,119.50	14,119.50
Pass-through Certificates	27.32	-	-	-	-	-	27.32
Security Receipts	-	-	221.69	-	221.69	-	221.69
Investment in Units of Venture Capital Fund	-	-	711.42	-	711.42	-	711.42
Total – Gross (A)	**10,881.08**	**578.91**	**17,525.32**	**-**	**18,104.23**	**17,255.57**	**46,240.88**
(i) Investments outside India	-	-	-		-		-
(ii) Investments in India	10,881.08	578.91	17,525.32	-	18,104.23	17,255.57	46,240.88
Total (B)	**10,881.08**	**578.91**	**17,525.32**	**-**	**18,104.23**	**17,255.57**	**46,240.88**
Less: Allowance for Impairment loss (Expected Credit Loss) (C)	0.53	-	-	-	-	-	0.53
Total – Net (D) = (A)-(C)	**10,880.55**	**578.91**	**17,525.32**	**-**	**18,104.23**	**17,255.57**	**46,240.35**

$ The Corporation has not recognised any provision under Expected Credit Loss on Investments made in Government Securities.

* Others includes Investment in subsidiaries and associates which have been carried at cost.

Note 10.1 GRUH Finance Limited

In view of the scheme of amalgamation filed by GRUH Finance Limited ("GRUH"), a Subsidiary of the Corporation, and Bandhan Bank Limited ("Bandhan") and the subsequent directive by the Reserve Bank of India to the Corporation to hold not more than 9.9% of the share capital of Bandhan post merger, the Corporation sold the shares of the GRUH during the period, and the Corporation's shareholding in GRUH was reduced to 38% on August 30,2019, accordingly the same was classified as an associate company. The effective date of the merger of GRUH into and with Bandhan Bank Limited (Bandhan Bank) was October 17, 2019. The Corporation was allotted 15,93,63,149 shares aggregating 9.90% of the total issued share capital of Bandhan. On derecognition of investment in GRUH, the Corporation has recorded a fair value gain of ₹ 9,019.81 Crore through the Statement of Profit and Loss.

Note 10.2 HDFC ERGO Health Insurance Limited

Pursuant to receipt of approvals from Reserve Bank of India, Insurance Regulatory and Development Authority of India and Competition Commission of India, the Corporation has, on January 9, 2020, acquired 51.16% of the equity share capital of HDFC ERGO Health Insurance Limited (formerly Apollo Munich Health Insurance Company Limited) consequently the same became subsidiary of the Corporation.

Further, the Corporation has initiated necessary steps of merger of HDFC ERGO Health Insurance Ltd (HDFC ERGO Health) and HDFC ERGO General Insurance Company Ltd (HDFC ERGO), subsidiary of the Corporation, subject to approval of the National Company Law Tribunal, Mumbai.

HDFC ERGO Health Insurance Limited would be merged with HDFC ERGO General Insurance Company Limited, subject to the approval of the National Company Law Tribunal, Mumbai.

Note 10.3 Debt Asset Swap

During the year, the Corporation has entered into debt assets swap, wherein the gross carrying amount of the financial and non financial assets taken over as at March 31, 2020 stood at ₹ **62.47 Crore** (Previous Year ₹ Nil) and ₹ **847.57 Crore** (Previous Year ₹ Nil) respectively, the properties taken over by the corporation are mix of residential and commercial properties located in key metro cities. The properties are either for the Corporation's own use or being held for capital appreciation, which the Corporation will dispose of at an appropriate time and in accordance with the applicable regulations.

Notes forming part of the standalone financial statements (Continued)

11. Other Financial Assets

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Security Deposits	**37.62**	36.78
Receivables on Assigned Loans*	**1,332.09**	1,105.84
Amounts Receivable on swaps and other derivatives	**1,380.48**	1,428.88
Inter Corporate Deposits	**29.38**	1,038.32
Receivables on Sale of Investments	**-**	316.00
Total Gross	**2,779.57**	**3,925.82**
Less: Impairment loss allowance (Expected Credit Loss)	**37.56**	31.48
Total Net of Expected Credit Loss	**2,742.01**	**3,894.34**

* Retained interest and servicing assets

11.1 Inter Corporate Deposits

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
(a) Secured by tangible assets	**-**	-
(b) Secured by intangible assets	**-**	891.22
(c) Covered by bank and government guarantee	**-**	-
(d) Unsecured	**29.38**	147.10
Total Gross	**29.38**	**1,038.32**
Less: Impairment loss allowance (Expected Credit Loss)	**29.38**	27.82
Total Net of Expected Credit Loss	**-**	**1,010.50**

11.2 Inter Corporate Deposits are secured or partly secured by one or a combination of the following securities:

- Registered / equitable mortgage of property;
- Non disposal undertakings in respect of shares, pledge of shares, units, other securities, assignment of life insurance policies;
- Hypothecation of assets;
- Bank guarantees, company guarantees or personal guarantees;
- Negative lien;
- Assignment of receivables;
- Liquidity Support. Collateral [e.g. DSRA (Debt Service Reserve Account), Lien of Fixed Deposit]

Notes forming part of the standalone financial statements (Continued)

12. Taxes on Income

12.1 Current Tax Assets (Net)

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Advance Tax (Net of Provision)	**3,101.78**	2,750.18
Total	**3,101.78**	**2,750.18**

12.2 Deferred Tax Assets (Net)

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Deferred Tax Assets (Net)	**1,567.94**	830.91
Net Deferred Tax Asset	**1,567.94**	**830.91**

12.2.1 Movement in Deferred Tax Assets/Liabilities

₹ in Crore

Particulars	As at March 31, 2019	Profit or loss	Other Comprehensive Income	Total	As at March 31, 2020
Property, plant and equipment	(50.67)	29.43	-	29.43	(21.24)
Expected credit losses	1,800.50	484.29	-	484.29	2,284.79
Provisions other than those pertaining to Expected credit loss	72.69	(22.52)	-	(22.52)	50.17
Financial assets at fair value through profit or loss	(100.64)	(862.79)	-	(862.79)	(963.43)
Financial assets at FVOCI	63.40	-	672.65	672.65	736.05
Remeasurements of employee benefits through OCI	1.00	-	1.96	1.96	2.96
Adjustments pertaining to Income and expense recognition based on Expected Interest rate	(574.70)	(51.41)	-	(51.41)	(626.11)
Effect of foreign exchange transactions and translations	(115.23)	147.96	72.02	219.98	104.75
Income recognition on NPA cases	(265.44)	265.44	-	265.44	0.00
Total	**830.91**	**(9.60)**	**746.63**	**737.03**	**1,567.94**

Notes forming part of the standalone financial statements (Continued)

12.2.1 Movement in Deferred Tax Assets/Liabilities (Previous Year)

₹ in Crore

Particulars	As at March 31, 2018	Profit or loss	Other Comprehensive Income	Total	As at March 31, 2019
Property, plant and equipment	(51.71)	1.04	-	1.04	(50.67)
Expected credit losses	1,649.70	150.80	-	150.80	1,800.50
Provisions other than those pertaining to Expected credit loss	63.58	9.11	-	9.11	72.69
Financial assets at fair value through profit or loss	(43.71)	(56.93)	-	(56.93)	(100.64)
Financial assets at FVOCI	22.41	-	40.99	40.99	63.40
Remeasurements of employee benefits through OCI	0.38	-	0.62	0.62	1.00
Adjustments pertaining to Income and expense recognition based on Expected Interest rate	(291.48)	(283.22)	-	(283.22)	(574.70)
Effect of foreign exchange transactions and translations	(115.23)	-	-	-	(115.23)
Income recognition on NPA cases	(265.44)	-	-	-	(265.44)
Total	**968.50**	**(179.20)**	**41.61**	**(137.59)**	**830.91**

12.3 Income Tax recognised in profit or loss

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Current Tax		
In respect of the current year	**2,571.68**	3,307.11
Deferred Tax		
In respect of the current year	**9.59**	179.20
Total Income tax expense recognised in the current year relating to continuing operations	**2,581.27**	3,486.31

12.3.1 The Corporation has elected to exercise the option of a lower tax rate provided under Section 115BAA of the Income-tax Act, 1961, as introduced by the Taxation Laws (Amendment) Ordinance, 2019 dated September 20, 2019. Accordingly, the Corporation has recognised provision for income tax and re-measured its deferred tax assets (including re-measuring the opening balance as at April 1, 2019 and has taken a charge of ₹ 237.67 Crore relating to the same) basis the rate provided in the said section.

12.3.2 The evaluation of uncertain tax positions involves an interpretation of relevant tax laws which could be subject to challenge by the tax authorities and an assessment of whether the tax authorities will accept the position taken. The Corporation does not currently consider that assumptions or judgements made in assessing tax liabilities have a significant risk resulting in a material adjustment within the next financial year. (Refer Note 40.2)

Notes forming part of the standalone financial statements (Continued)

12.3.3 **Reconciliation of income tax expense of the year can be reconciled to the accounting profit as follows:**

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Standalone Profit before tax	**20,350.92**	13,118.77
Income tax expense calculated at **25.168%** (Previous Year 34.944%)	**5,121.92**	4,584.22
Effect of expenses that are not deductible in determining taxable profit	**174.09**	127.63
Effect of incomes which are taxed at different rates	**(1,430.36)**	(387.10)
Effect of incomes which are exempt from tax	**(1,158.12)**	(395.09)
Effect on deferred tax balances due to the changes in income tax rate	**237.67**	-
Deduction under Section 36(1)(viii) of the Income tax Act, 1961	**(363.93)**	(443.44)
Others	-	0.09
Income tax expense recognised in statement of profit and loss	**2,581.27**	3,486.31
Effective tax rate (%)	**12.68%**	26.57%

The tax rate used for the reconciliations above is the corporate tax rate of **25.168%** (Previous Year 34.944%) for the year 2019-20 payable by corporate entities in India on taxable profits under tax law in Indian jurisdiction.

13. Investment Property

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Gross carrying amount		
Opening gross carrying amount	**348.48**	403.62
Additions	**344.83**	7.97
Disposal	**(22.26)**	(57.61)
Transfer to Fixed Assets	**(9.51)**	(5.50)
Closing gross carrying amount	**661.54**	348.48
Accumulated Depreciation		
Opening accumulated depreciation	**14.16**	8.49
Depreciation charge	**8.73**	7.83
Depreciation on Sale	**(1.03)**	(2.07)
Transfer to Fixed Assets	**(0.44)**	(0.09)
Closing Accumulated Depreciation	**21.42**	14.16
Accumulated Impairment		
Opening accumulated Impairment	**13.00**	-
Impairment charge	**8.65**	13.00
Closing Accumulated Impairment	**21.65**	13.00
Net carrying amount Investment Property	**618.47**	321.32
Investment Property - work in progress	**271.96**	-
Investment Property - including work in progress	**890.43**	321.32

Note: Refer Note 10.3 for Debt Asset Swap

Notes forming part of the standalone financial statements (Continued)

13.1 **Fair Value**

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Investment properties (Excluding work in progress)	**964.40**	698.31

The fair value of the Corporation's investment properties as at March 31, 2020 and March 31, 2019 has been arrived at on the basis of a Internal Valuation (Level 3).

13.2 **Ind AS 116 Leases for the year ended 31 March 2020**

The Corporation leases out its investments properties. The Corporation has classified these leases as operating leases, because they do not transfer substantially all of the risk and rewards incidental to the ownership of the assets.

Rental Income recognised by the Corporation during the year ended 31 March 2020 in respect of Investment Properties amount to ₹ 44.76 Crore.

The Following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting period.

₹ in Crore

Particulars	As at March 31, 2020
Less than one year	**48.59**
Between one and two years	**44.21**
Between two and three years	**34.46**
Between three and four years	**25.16**
Between four and five years	**14.94**
More than five years	**10.68**
Total	**178.04**

13.3 **Ind AS 17 Leases for the year ended 31 March 2019**

During the previous year Income from Leases includes ₹ 39.69 Crore in respect of properties and certain assets leased out by the Corporation under Operating Leases. Out of the above, in respect of the non-cancellable leases, the future minimum lease payments are as follows:

₹ in Crore

Particulars	As at March 31, 2019
Within one year	36.89
Later than one year but not later than 5 years	75.60
Later than 5 years	8.72
Total	**121.21**

Notes forming part of the standalone financial statements (Continued)

14. Property, Plant and Equipment

Year ended March 31, 2020

₹ in Crore

	GROSS BLOCK					DEPRECIATION, AMORTISATION AND IMPAIRMENT					NET BLOCK	
	As at March 31, 2019	Additions	Adjustments	Deductions	As at March 31, 2020	As at March 31, 2019	For the Year	Adjustments	Deductions	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Land :												
Freehold	15.67	84.96			**100.63**	-	-		-	**-**	**100.63**	15.67
Right of use - Land	349.55				**349.55**	17.76	8.88		-	**26.64**	**322.91**	331.79
Buildings :												
Own Use	199.28	53.78	9.51	0.04	**262.53**	9.55	6.06	0.44	0.01	**16.04**	**246.49**	189.73
Leasehold Improvements	28.90	7.30		0.58	**35.62**	8.74	5.46		0.58	**13.62**	**22.00**	20.16
Right of use - Buildings *	-	268.36		5.63	**262.73**	-	69.06		0.79	**68.27**	**194.46**	-
Computer Hardware	41.33	25.51		5.46	**61.38**	16.44	12.49		5.45	**23.48**	**37.90**	24.89
Furniture and Fittings												
Own Use	29.09	4.48		2.25	**31.32**	5.58	4.43		2.16	**7.85**	**23.47**	23.51
Office Equipment etc.:												
Own Use	32.76	5.57		2.04	**36.29**	5.53	5.47		1.96	**9.04**	**27.25**	27.23
Vehicles	13.66	3.96		2.01	**15.61**	2.41	3.86		1.65	**4.62**	**10.99**	11.25
	710.24	453.92	9.51	18.01	**1,155.66**	66.01	115.71	0.44	12.60	**169.56**	**986.10**	644.23

* Right of use assets addition includes, ₹ 198.75 Crore on account of transition impact of Ind AS 116, which is effective from 1 April 2019.

Previous Year ended March 31, 2019

₹ in Crore

	GROSS BLOCK					DEPRECIATION, AMORTISATION AND IMPAIRMENT					NET BLOCK	
	As at April 1, 2018	Additions	Adjustments	Deductions	As at March 31, 2019	As at April 1, 2018	For the Year	Adjustments	Deductions	As at March 31, 2019	As at March 31, 2019	As at April 1, 2018
Land :												
Freehold	15.67	-	-	-	15.67	-	-	-	-	-	15.67	15.67
Leasehold	349.55	-	-	-	349.55	8.88	8.88	-	-	17.76	331.79	340.67
Buildings :												
Own Use	192.76	0.76	5.50	0.01	199.01	4.56	4.64	0.09	0.01	9.28	189.73	188.20
Leasehold Improvements	19.43	10.36	-	0.89	28.90	4.08	5.53	-	0.87	8.74	20.16	15.35
Computer Hardware	29.30	14.42	-	2.39	41.33	7.46	11.37	-	2.39	16.44	24.89	21.84
Furniture and Fittings												
Own Use	24.92	5.73	-	1.56	29.09	2.97	4.08	-	1.47	5.58	23.51	21.95
Office Equipment etc.:												
Own Use	28.86	6.48	-	2.58	32.76	2.94	5.04	-	2.45	5.53	27.23	25.92
Vehicles	11.65	4.87	-	2.86	13.66	1.54	3.55	-	2.68	2.41	11.25	10.11
	672.14	42.62	5.50	10.29	709.97	32.43	43.09	0.09	9.87	65.74	644.23	639.71

15. Other Intangible Assets

Year ended March 31, 2020

₹ in Crore

	GROSS BLOCK					DEPRECIATION, AMORTISATION AND IMPAIRMENT					NET BLOCK	
	As at March 31, 2019	Additions	Adjustments	Deductions	As at March 31, 2020	As at March 31, 2019	For the Year	Adjustments	Deductions	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Computer Software	11.93	9.48	-	-	**21.41**	4.83	3.73	-	-	**8.56**	**12.85**	7.10
Non Compete Fees	-	10.92	-	-	**10.92**	-	10.92	-	-	**10.92**	**-**	-
Development Right	-	350.00	-	-	**350.00**	-	-	-	-	**-**	**350.00**	-
	11.93	370.40	-	-	**382.33**	4.83	14.65	-	-	**19.48**	**362.85**	7.10

Previous Year ended March 31, 2019

₹ in Crore

	GROSS BLOCK					DEPRECIATION, AMORTISATION AND IMPAIRMENT					NET BLOCK	
	As at March 31, 2018	Additions	Adjustments	Deductions	As at March 31, 2019	As at March 31, 2018	For the Year	Adjustments	Deductions	As at March 31, 2019	As at March 31, 2019	As at March 31, 2018
Computer Software	7.01	4.92	-	-	11.93	2.22	2.61	-	-	4.83	7.10	4.79
	7.01	4.92	-	-	11.93	2.22	2.61	-	-	4.83	7.10	4.79

Notes forming part of the standalone financial statements (Continued)

16. Other Non-Financial Assets

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured; considered good		
Capital Advances	**66.72**	59.06
Other Advances	**96.58**	70.67
Prepaid Expenses	**26.49**	14.23
Total Gross	**189.79**	**143.96**
Less: Provision for Expected Credit Loss (ECL)	**0.02**	0.94
Total Net of ECL	**189.77**	**143.02**

16.1 Other Advances includes amounts due from the related parties ₹ **14.88 Crore** (Previous Year ₹ 11.31 Crore) [Refer Note 43].

17. Payables

17.1 Trade Payables

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Total outstanding dues of micro enterprises and small enterprises	**3.90**	1.47
Total outstanding dues of creditors other than micro enterprises and small enterprises	**192.90**	188.70

17.1.1 The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of Information available with the Corporation. The amount of principal and interest outstanding during the year is given below:

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
a) Principal amount and the interest due thereon	**3.90**	1.47
b) The amount of interest paid	**-**	-
c) Amounts paid after appointed date during the year	**0.03**	-
d) Amount of interest accrued and unpaid as at year end	**-**	-
e) The amount of further interest due and payable even in the succeeding year	**-**	-
Total	**3.93**	**1.47**

17.1.2 Trade Payables includes ₹ **55.40 Crore** (Previous Year ₹ 62.21 Crore) due to related parties [Refer Note 43].

17.2 Other Payables

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Total outstanding dues of micro enterprises and small enterprises	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	-	-

Notes forming part of the standalone financial statements (Continued)

18. Debt Securities

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Bonds - Secured	**20.10**	27.35
Non Convertible Debentures - Secured	**1,42,033.78**	1,29,290.46
Synthetic Rupee Denominated Bonds - Unsecured	**6,100.00**	11,100.00
Commercial Papers - Unsecured	**28,715.38**	37,185.70
Total of Debt Securities (A)	**1,76,869.26**	1,77,603.51
Less: Unamortised borrowing cost	**(0.55)**	(36.60)
Debt Securities net of unamortised borrowing cost	**1,76,868.71**	1,77,566.91
Debt securities in India	**1,70,769.26**	1,66,503.51
Debt securities outside India	**6,100.00**	11,100.00
Total of Debt Securities (B)	**1,76,869.26**	1,77,603.51
Less: Unamortised borrowing cost	**(0.55)**	(36.60)
Total of Debt Securities net of unamortised borrowing cost	**1,76,868.71**	1,77,566.91

Refer Note 44.3 for Categories of Financial Instruments

18.1 All secured debts are secured by negative lien on the assets of the Corporation and/or mortgage of property as the case may be, subject to the charge created in favour of its depositors pursuant to the regulatory requirements under Section 29B of the National Housing Bank Act, 1987.

18.2 Non-Convertible Debentures includes ₹ **2,430.80 Crore** (Previous Year ₹ 1,901.80 Crore) from related parties [Refer Note 43].

18.3 The Corporation has raised ₹ **11,100 Crore** through Rupee Denominated Bonds to overseas investors till date, in accordance with the RBI guidelines, the outstanding as at March 31, 2020 is ₹ **6,100 Crore**. The Corporation was the first Indian corporate issuer of such bonds.

The Corporation had established a Medium Term Note Programme (MTN Programme) for **USD 2,800 mn** so as to enable the Corporation to issue debt instruments in the international capital markets, subject to regulatory approval.

During the year, the Corporation raised **Nil** (Previous Year ₹ 1,500 Crore) through issue of Rupee Denominated Bonds under the MTN Programme through the approval route. The Corporation shall finance eligible projects and borrowers as permitted by the external commercial borrowing guidelines issued by Reserve Bank of India (RBI) regulations.

The bonds are listed on the London Stock Exchange. These bonds are unsecured and the currency risk is borne by the investor.

Notes forming part of the standalone financial statements (Continued)

18.4 Terms of redemption of Nominal value of bonds and debentures and repayment terms as at March 31, 2020

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
Debt Securities					
Bonds					
9.00% - 11.00%	**7.70**	**12.40**	**-**	**-**	**20.10**
Non Convertible Debentures					
6.77% - 8.00%	8,500.00	26,395.00	8,245.00	7,005.00	50,145.00
8.01% - 10.00%	23,474.00	12,020.00	7,835.00	34,788.75	78,117.75
10.01% - 11.95%	6,300.00	-	-	4,545.00	10,845.00
Zero Coupon Bonds	-	500.00	-	-	500.00
Total	**38,274.00**	**38,915.00**	**16,080.00**	**46,338.75**	**1,39,607.75**
Synthetic Rupee Denominated Bonds					
6.73% - 8.75%	3,300.00	2,300.00	500.00	-	6,100.00
Debt Securities	**0-1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Commercial Papers					
5.73% - 7.00%	21,241.59	-	-	-	21,241.59
7.01% - 8.00%	7,473.79	-	-	-	7,473.79
8.01% - 9.00%	-	-	-	-	-
Total	**28,715.38**	**-**	**-**	**-**	**28,715.38**
Total Debt Securities	**70,297.08**	**41,227.40**	**16,580.00**	**46,338.75**	**1,74,443.23**

Terms of redemption of Nominal value of bonds and debentures and repayment terms as at March 31, 2019

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
Debt Securities					
Bonds					
9.00% - 11.00%	-	14.95	12.40	-	27.35
Non Convertible Debentures					
6.96% - 8.00%	15,023.00	8,500.00	720.00	3,000.00	27,243.00
8.01% - 10.00%	13,640.00	32,629.00	4,600.00	32,376.75	83,245.75
10.01% - 11.95%	2,893.00	10,660.00	-	-	13,553.00
Zero Coupon Bonds	3,800.00	500.00	-	-	4,300.00
Total	**35,356.00**	**52,289.00**	**5,320.00**	**35,376.75**	**1,28,341.75**
Synthetic Rupee Denominated Bonds					
6.73% - 8.75%	5,000.00	4,300.00	1,800.00	-	11,100.00
Debt Securities	**0-1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Commercial Papers					
7.01% - 8.00%	7,281.47	-	-	-	7,281.47
8.01% - 9.00%	29,904.23	-	-	-	29,904.23
Total	**37,185.70**	**-**	**-**	**-**	**37,185.70**
Total Debt Securities	**77,541.70**	**56,603.95**	**7,132.40**	**35,376.75**	**1,76,654.80**

Notes forming part of the standalone financial statements (Continued)

19. Borrowings (Other Than Debt Securities) - At Amortised Cost

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Term Loans from Banks - Secured		
Scheduled Banks	**67,047.59**	47,162.72
Term Loans from other parties - Secured		
Asian Development Bank	**211.59**	255.79
National Housing Bank	**14,377.00**	9,119.38
Others	**-**	-
	81,636.18	56,537.89
Term Loans from Banks - Unsecured		
Scheduled Banks	**5,846.28**	6,543.10
External Commercial Borrowing - Low Cost Affordable Housing	**17,512.20**	14,586.55
	23,358.48	21,129.65
Total Borrowings (A)	**1,04,994.66**	77,667.54
Less: Unamortised borrowing cost	**(86.02)**	(119.00)
Net Borrowings net of unamortised borrowing cost	**1,04,908.64**	77,548.54
Borrowings in India	**87,270.87**	62,825.20
Borrowings outside India	**17,723.79**	14,842.34
Total of Borrowings (B)	**1,04,994.66**	77,667.54
Less: Unamortised borrowing cost	**(86.02)**	(119.00)
Net Borrowings net of unamortised borrowing cost	**1,04,908.64**	77,548.54

19.1 All secured borrowings are secured by negative lien on the assets of the Corporation, subject to the charge created in favour of its depositors pursuant to the regulatory requirement under Section 29B of the National Housing Bank Act, 1987.

19.2 The Corporation has availed a loan of USD 100 million from the Asian Development Bank (Loan II). In respect of tranches 1 and 2 aggregating to USD 60 million, as per the agreement with a financial institution, the Corporation has handed over the dollars to the Bank of India, Cayman Island and under a back-to-back arrangement obtained rupee funds in India. All payments in foreign currency are the responsibility of the financial institution. In terms of the agreements, the Corporation's foreign exchange liability is protected.

In respect of tranche 3 of USD 40 million, as per the agreements with a scheduled bank, the Corporation has handed over the dollar funds to the bank overseas and has obtained rupee funds in India amounting to ₹ 200 Crore by way of a term loan and ₹ 100 Crore through the issue of bonds which have been subscribed by the bank.

The loan availed from Asian Development Bank and the deposit placed with Bank of India, Cayman Island are revalued at the closing rate of exchange and are shown separately in the financial statement.

19.3 The Corporation had outstanding External Commercial Borrowing (ECBs) of USD 1,825 million and JPY 53,200 million for financing prospective owners of low cost affordable housing units as per the ECB guidelines issued by Reserve Bank of India ("RBI") from time to time. The borrowing has a maturity upto five years. In terms of the RBI guidelines, part of the borrowings have been swapped into rupees for the entire maturity by way of principal only swaps and balance borrowing has been hedged through forward/option contracts for shorter tenor. The currency exposure on the interest has been hedged by way of forward contracts for part of foreign currency borrowings.

Notes forming part of the standalone financial statements (Continued)

The charges for raising of the aforesaid ECB has been amortised over the tenure of the ECB.

19.4 As on March 31, 2020, the Corporation has foreign currency borrowings of **USD 4,426.85 million** and **JPY 53,200 million** (Previous Year USD 2,797.36 million and JPY 53,200 million). The Corporation has undertaken currency swaps, forward contracts and option contracts of a notional amount of **USD 4,406.72 million** and **JPY 53,200 million** (Previous Year USD 2,670 million and JPY 53,200 million) and dollar denominated assets and foreign currency arrangements of **USD 20.13 million** (Previous Year USD 111.12 million) to hedge the foreign currency risk. As on March 31, 2020, the Corporation's net foreign currency exposure on borrowings net of risk management arrangements is **Nil** (Previous Year USD 16.24 million).

As a part of asset liability management on account of the Corporation's Adjustable Rate Home Loan product as well as to reduce the overall cost of borrowings, the Corporation has entered into INR interest rate swaps of a notional amount of ₹ **65,100 Crore** (Previous Year ₹ 55,650 Crore), Coupon Only Swaps of ₹ **1,059.38 Crore** (Previous Year Nil), USD Interest rate Swaps of ₹ **12,750.40 Crore** (Previous Year Nil) as on March 31, 2020 for varying maturities into floating rate liabilities linked to various benchmarks.

19.5 **Terms of borrowings and repayment as at March 31, 2020**

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
Term Loans from Banks - Secured					
6.65% - 7.00%	10,675.00	-	-	-	10,675.00
7.01% - 8.00%	30,898.00	3,200.00	2,950.00	-	37,048.00
8.01% - 9.00%	1,475.00	1,000.00	-	-	2,475.00
9.01% - 9.50%	-	-	-	-	-
Fixed 2.68%-5.01%	16,849.59				16,849.59
Total	**59,897.59**	**4,200.00**	**2,950.00**	**-**	**67,047.59**
Term Loans from Other Parties - Secured					
Asian Development Bank					
6 Months USD LIBOR + 40 bps	-	211.59	-	-	211.59
National Housing Bank - Secured					
4.00% - 6.00%	551.04	1,469.46	1,448.51	890.17	4,359.18
6.01% - 8.00%	1,328.33	3,264.65	2,973.56	1,366.28	8,932.82
8.01% - 10.00%	385.50	598.00	101.50	-	1,085.00
Total	**2,264.87**	**5,332.11**	**4,523.57**	**2,256.45**	**14,377.00**
Term Loans from Banks - Unsecured					
6.65% - 7.00%	560.00	-	-	-	560.00
7.01% - 8.00%	2,600.00	-	-	-	2,600.00
Variable USD LIBOR + 72 bps - 225 bps	2,686.28				2,686.28
Total	**5,846.28**	**-**	**-**	**-**	**5,846.28**
External Commercial Borrowing - Low Cost Affordable Housing - Unsecured					
1 Month LIBOR + 50 bps to 126 bps	3,783.50	4,351.03	9,377.67		17,512.20
Total Borrowings	**71,792.24**	**14,094.73**	**16,851.24**	**2,256.45**	**1,04,994.66**

Notes forming part of the standalone financial statements (Continued)

Terms of borrowings and repayment as at March 31, 2019

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
Term Loans from Banks - Secured					
8.01% - 9.00%	27,270.00	700.00	-	-	27,970.00
9.01% - 9.50%	9,930.00	2,020.00	-	-	11,950.00
Fixed 2.68%-5.01%	7,242.72	-	-	-	7,242.72
Total	**44,442.72**	**2,720.00**	**-**	**-**	**47,162.72**
Term Loans from Other Parties - Secured					
Asian Development Bank					
6 Months USD LIBOR + 40 bps	30.05	225.74	-	-	255.79
National Housing Bank - Secured					
4.00% - 6.00%	285.55	761.46	761.46	763.37	2,571.84
6.01% - 8.00%	61.55	161.09	139.77	110.40	472.81
8.01% - 10.00%	622.92	1,660.96	1,240.00	2,550.85	6,074.73
Total	**970.02**	**2,583.51**	**2,141.23**	**3,424.62**	**9,119.38**
Term Loans from Banks - Unsecured					
8.01% - 9.00%	3,100.00	1,000.00	250.00	-	4,350.00
9.01% - 9.50%	1,500.00	-	-	-	1,500.00
Variable USD LIBOR + 72 bps - 225 bps	693.10	-	-	-	693.10
Total	**5,293.10**	**1,000.00**	**250.00**	**-**	**6,543.10**
External Commercial Borrowing - Low Cost Affordable Housing - Unsecured					
1 Month LIBOR + 50 bps to 126 bps	-	6,064.62	8,521.93	-	14,586.55
Total Borrowings	**50,735.89**	**12,593.87**	**10,913.16**	**3,424.62**	**77,667.54**

20. Deposits - At Amortised Cost

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Deposits		
(i) Public Deposits	**87,777.91**	75,591.50
(ii) From Banks	**218.00**	115.00
(iii) From Others - Secured	**8,170.19**	0.00
(iv) From Others - Unsecured	**36,498.27**	30,174.13
Total	**1,32,664.37**	1,05,880.63
Less: Unamortised transaction cost	**(340.08)**	(281.69)
Borrowings net of unamortised cost	**1,32,324.29**	1,05,598.94

20.1 Deposits includes ₹ **191.20 Crore** (Previous Year ₹ 220 Crore) from related parties [Refer Note 43].

Notes forming part of the standalone financial statements (Continued)

20.2 Public deposits as defined in paragraph 2(1)(y) of the Housing Finance Companies (NHB) Directions, 2010, are secured by floating charge and Lien in favour of the Trustee's for Depositors on the Statutory Liquid Assets maintained in terms of sub-sections (1) & (2) of Section 29B of the National Housing Bank Act, 1987.

20.3 All secured deposits are secured by negative lien on the assets of the Corporation subject to the charge created in favour of its depositors pursuant to the regulatory requirements under Section 29B of the National Housing Bank Act, 1987.

21. Subordinated Liabilities - At Amortised Cost

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Non Convertible Subordinated Debentures	**5,000.00**	5,500.00
Total	**5,000.00**	**5,500.00**
Subordinated Liabilities in India	**5,000.00**	5,500.00
Subordinated Liabilities outside India	**-**	-
Total	**5,000.00**	**5,500.00**

21.1 **Terms of borrowings and repayment:**

As at March 31, 2020 ₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
8.65% - 9.60%	1,000.00	1,000.00	3,000.00	-	5,000.00

As at March 31, 2019 ₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
8.65% - 9.60%	500.00	2,000.00	-	3,000.00	5,500.00

21.2 These debentures are subordinated to present and future senior indebtedness of the Corporation and qualify as Tier II capital under National Housing Bank (NHB) guidelines for assessing capital adequacy. Based on the balance term to maturity as at March 31, 2020, **52%** (Previous Year 65.45%) of the book value of the subordinated debt is considered as Tier II capital for the purpose of capital adequacy computation.

Notes forming part of the standalone financial statements (Continued)

22. Other Financial Liabilities

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Interest accrued	**11,950.64**	11,790.37
Amounts payable on Assigned/Securitised Loans	**453.55**	535.35
Security and other deposits received	**37.85**	33.33
Financial Assistance received from Kreditanstalt für Wiederaufbau	**7.78**	7.78
Unclaimed dividend	**24.60**	26.91
Unclaimed matured deposits and interest accrued thereon	**2,006.46**	1,123.96
Lease Liability in respect of leased premises	**203.89**	-
Others	**1,211.71**	202.79
Total	**15,896.48**	**13,720.49**

22.1 As required under Section 125 of the Companies Act, 2013, the Corporation has transferred ₹ **3.92 Crore** (Previous Year ₹ 3.18 Crore) to the Investor Education and Protection Fund (IEPF) during the year. As of March 31, 2020, no amount was due for transfer to the IEPF. Further, in compliance with the said section, during the year the Corporation transferred 77,370 equity shares of ₹ 2 each (Previous Year: 73,237) corresponding to the said unclaimed dividend in the name of IEPF.

23. Current Tax Liabilities (Net)

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for Tax (Net of Advance Tax)	**192.90**	146.43
Total	**192.90**	**146.43**

24. Provisions

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for Employee Benefits	**260.54**	209.55
Total	**260.54**	**209.55**

25. Other Non-Financial Liabilities

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Installment / Income received in advance	**432.12**	494.27
Deferred gain on fair valuation	**1,065.75**	-
Statutory Remittances	**348.69**	233.80
Others	**119.91**	48.23
Total	**1,966.47**	**776.30**

Notes forming part of the standalone financial statements (Continued)

25.1 The Corporation has invested in 100 Crore equity shares of Yes Bank Limted at ₹ 10 each on March 14, 2020. Of these, 75% of the equity shares i.e. 75 Crore shares are locked in and not permitted to be sold within 3 years from the date of acquisition. Accordingly, the gain arising on the fair valuation of such locked in shares on initial recognition has been deferred and shall be recognised over the lock in period in accordance with the requirements of the accounting standard. The gain on initial recognition for the balance 25% shares has been recognised in the statement of Profit and Loss Account. For the purposes of subsequent measurement, these shares have been designated as Fair Value Through Other Comprehensive Income.

26. Equity Share Capital

₹ in Crore

	As at March 31, 2020	As at March 31, 2019
AUTHORISED		
228,80,50,000 (As at March 31, 2019 228,80,50,000) Equity Shares of ₹ 2 each	**457.61**	457.61
	457.61	457.61
ISSUED, SUBSCRIBED AND FULLY PAID UP		
173,20,51,189 (As at March 31, 2019 172,14,37,390) Equity Shares of ₹ 2 each	**346.41**	344.29
	346.41	344.29

26.1 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period:

Particulars	**As at March 31, 2020**		As at March 31, 2019	
	Number	**₹ in Crore**	Number	₹ in Crore
Equity shares outstanding as at the beginning of the year	**172,14,37,390**	**344.29**	167,58,79,893	335.18
Shares allotted pursuant to exercise of stock options	**1,06,13,799**	**2.12**	95,72,626	1.91
Shares allotted pursuant to issue of shares under Conversion of Warrants into equity shares		**-**	3,59,84,871	7.20
Equity shares outstanding as at the end of the year	**173,20,51,189**	**346.41**	172,14,37,390	344.29

26.2 There were no shareholder holding more than 5 percent shares in the Corporation as at March 31, 2020 and March 31, 2019.

26.3 Terms and rights attached to equity shares:

The Corporation has only one class of shares referred to as equity shares having Face Value of ₹ 2 each. Each holder of equity share is entitled to one vote per share.

The holders of equity shares are entitled to dividends, if any, proposed by the Board of Directors and approved by Shareholders at the Annual General Meeting.

Notes forming part of the standalone financial statements (Continued)

As at March 31, 2020 **5,42,81,394 shares of ₹ 2 each** (Previous Year 6,48,95,193 shares of ₹ 2 each) were reserved towards outstanding Employees Stock Options granted/available for grant, including lapsed options [Refer Note 42].

26.4 **Dividend**

During the previous year, the Board of Directors of the Corporation *inter alia*, has approved the payment of an interim dividend of ₹ 3.50 per equity share of face value of ₹ 2 each of the Corporation for the financial year 2018-19.

The Corporation has not remitted any amount in foreign currencies on account of dividends during the year and does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividends have been made by/on behalf of non-resident shareholders. The particulars of dividends payable to non-resident shareholders (including Foreign Portfolio Investors) are as under:

Particulars	**Current Year**		Previous Year	
	Interim	**Final**	Interim	Final
Year to which the dividend relates	**2019-20**	**2018-19**	2018-19	2017-18
Number of non-resident shareholders	-	**9,895**	9,621	8,775
Number of shares held by them	-	**1,29,35,59,451**	1,27,73,15,174	1,27,49,34,974
Gross amount of dividend (in ₹)	-	**22,63,72,90,393**	4,47,06,03,109	21,03,64,27,071

26.5 The Corporation had on October 5, 2015 issued 3,65,00,000 warrants, convertible into 3,65,00,000 equity share of ₹ 2 each at an exercise price of ₹ 1,475.00 each, simultaneously with the issue of 5,000 secured redeemable non-convertible debentures of face value of ₹ 1,00,00,000 each, to eligible qualified institutional buyers by way of a qualified institutions placement in accordance with Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, and Sections 42 and 71 of the Companies Act, 2013 and the rules made thereunder. During the previous year an amount of ₹ 51.10 Crore was received towards subscription of warrants. The said warrants were exercisable at any time on or before October 5, 2018. 529 warrants were not submitted for exchange with equity shares of the Corporation and the said warrants had lapsed and ceased to be valid. The amount of ₹ 14 per Warrant paid on 529 warrants stands forfeited.

26.6 The Corporation has not allotted any share pursuant to contracts without payment being received in cash or as bonus shares nor has it bought back any shares during the preceding period of 5 financial years.

Notes forming part of the standalone financial statements (Continued)

27. Other Equity

₹ in Crore

Particulars	Note	As at March 31, 2020	As at March 31, 2019
Capital Reserve	27.1	**0.04**	0.04
Securities Premium	27.2	**32,044.15**	30,661.21
Retained Earnings		**14,137.67**	11,635.24
General Reserve	27.3	**23,940.11**	15,905.51
Special Reserve I	27.4	**51.23**	51.23
Special Reserve II	27.4 & 27.5	**16,416.95**	13,016.95
Statutory Reserve	27.5	**5,227.42**	5,027.42
Shelter Assistance Reserve	27.6	**0.10**	3.21
Equity Instruments through Other Comprehensive Income		**(6,853.83)**	(170.23)
Effective portion of Cash Flow Hedges	27.7	**(180.59)**	(222.45)
Cost of Cash Flow Hedges	27.7	**18.98**	(2.44)
Employee Stock Options Reserve	27.8	**1,009.42**	1,098.06
Foreign Currency Monetary Item Translation	27.9	**-**	7.43
Total		**85,811.65**	**77,011.18**

27.1 **Capital Reserve:** It has been created during the Business Combinations in earlier periods.

27.2 **Securities Premium:** Securities premium account is credited when the shares are allotted at premium. It can be used to issue bonus shares, to provide for premium on redemption of debentures, write-off equity related expenses like underwriting costs, etc. in accordance with the provisions of Companies Act, 2013.

27.3 **General Reserve:** It is a free reserve which is created by appropriation from profits of the current year and/or undistributed profits of previous years, before declaration of dividend duly complying with any regulations in this regard.

27.4 **Special Reserve (I & II)** has been created over the years in terms of Section 36(1)(viii) of the Income-tax Act, 1961 out of the distributable profits of the Corporation.

Special Reserve No. I relates to the amounts transferred upto the Financial Year 1996-97

Special Reserve No. II relates to the amounts transferred thereafter.

27.5 **Statutory Reserve:** As per Section 29C of The National Housing Bank Act, 1987 (the "NHB Act"), the Corporation is required to transfer at least 20% of its net profits every year to a reserve before any dividend is declared. For this purpose any Special Reserve created by the Corporation under Section 36(1)(viii) of the Income-tax Act, 1961 is considered to be an eligible transfer. The Corporation has transferred an amount of **₹ 3,400 Crore** (Previous Year ₹ 1,850 Crore) to Special Reserve No. II in terms of Section 36(1)(viii) of the Income-tax Act, 1961 and an amount of **₹ 200 Crore** (Previous Year ₹ 100 Crore) to "Statutory Reserve (As per Section 29C of The NHB Act)".

27.6 **Shelter Assistance Reserve:** It represents funding various development and grassroot level organisations for the purposes as mentioned in Schedule VI to the Companies Act, 2013 and in accordance with the Corporation's Policy.

Notes forming part of the standalone financial statements (Continued)

27.7 **Other Comprehensive Income:**

Effective portion of Cash Flow Hedge: It represents the cumulative gains/(losses) arising on revaluation of the derivative instruments designated as cash flow hedges through OCI.

Cost of Hedge: It represent the cumulative charge for the derivative instrument, in the form of premium amortisation on option contracts and forward contracts taken, designated as cash flow hedges through OCI.

Reconciliation of movements in Cash flow hedge/Cost of hedge reserve

Particulars	₹ in Crore
(i) Cash flow hedging reserve	
As at March 31, 2018	(232.36)
Add: Changes in fair value of forward/currency swap contracts	298.11
Add: Changes in intrinsic value of foreign currency options	-
Add: Changes in fair value of foreign currency loans/ECB/ADB loans	(282.88)
Less: Deferred tax relating to above (net)	(5.32)
As at March 31, 2019	**(222.45)**
Add: Changes in fair value of forward /currency swap contracts	2,071.26
Add: Changes in intrinsic value of foreign currency options	727.40
Add: Changes in fair value of foreign currency loans/ECB/ADB loans	(2,742.72)
Less: Deferred tax relating to above (net)	(14.08)
As at March 31, 2020	**(180.59)**
(ii) Cost of hedge reserve	
As at March 31, 2018	-
Deferred time value of foreign currency option contracts	(3.75)
Less: Deferred tax relating to above (net)	1.31
As at March 31, 2019	**(2.44)**
Deferred time value of foreign currency option contracts	28.62
Less: Deferred tax relating to above (net)	(7.20)
As at March 31, 2020	**18.98**

27.8 **Employee Share Option Outstanding:**

The Corporation has stock option schemes under which the eligible employees and key management personnel can exercise the stock options granted and vested in them. On such exercise of the stock options the employees are allotted the equity shares of the Corporation. The share-based payment reserve is used to recognise the value of equity-settled share-based payments.

27.9 Pursuant to the notification dated December 29, 2011 issued by the Ministry of Corporate Affairs amending the Accounting Standard 11, the Corporation had exercised the option as per Para 46A inserted in the Standard for all long term monetary assets and liabilities, Further the Corporation has exercised option to continue the policy adopted for exchange differences arising from translation of long-term foreign currency monetary assets as per Ind AS 101 para D13AA. Consequently, an amount of ₹ **Nil** (without considering future tax benefit of ₹ Nil) [(Previous Year net credit of ₹ 7.43 Crore) (without considering future tax benefits of ₹ Nil)] is carried forward in the Foreign Currency Monetary Items Translation Difference Account as on March 31, 2020. This amount is to be amortised over the period of the monetary assets/liabilities ranging upto 1 year.

During the year, there was a net reduction of ₹ **7.43 Crore** (Previous Year net addition of ₹ 58.14 Crore) in the Foreign Currency Monetary Items Translation Difference Account.

Notes forming part of the standalone financial statements (Continued)

28. Interest Income

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
On Financial Assets measured at Amortised Cost		
Interest on Loans	**41,483.42**	37,309.28
Interest income from investments	**951.82**	733.44
Interest on deposits	**125.92**	149.95
Other interest Income (net)	**81.25**	142.51
On Financial Assets measured at FVTPL		
Interest income from investments	**4.71**	-
Total	**42,647.12**	**38,335.18**

28.1 Interest Income on Stage 3 Assets is recognised on the net carrying value (the gross carrying value as reduced by the impairment allowance). Accordingly the total Interest Income is net of such interest on Credit Impaired Assets amounting to ₹ **199 Crore** (Previous Year ₹ 154 Crore).

29.1 Dividend Income

Dividend Income includes ₹ **204.22 Crore** (Previous Year ₹ 603.35 Crore) received from subsidiary companies and ₹ **0.06 Crore** (Previous Year ₹ 0.05 Crore) received from Investment in Equity Shares classified as fair value through other comprehensive income.

The Corporation has received dividend of ₹ **69.59 Crore** from shares derecognised during the year.

29.2 Rental Income

Income from Lease rental includes ₹ **44.76 Crore** (Previous Year ₹ 39.69 Crore) from Investment properties.

29.3 Fees and Commission Income

29.3.1 Fees and commission Income includes brokerage of ₹ **0.04 Crore** (Previous Year ₹ 0.06 Crore) received in respect of insurance/agency business undertaken by the Corporation.

29.3.2 Fees and Commission Income includes ₹ **170.20 Crore** (Previous Year ₹ 155.04 Crore) received from related parties.

Notes forming part of the standalone financial statements (Continued)

29.4 **Net Gain/(Loss) on Fair Value Changes**

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Net gain on financial instruments at fair value through profit or loss - Investments	**9,117.22**	552.12
Net gain/(loss) on financial instruments measured at amortised cost - Investments	**1.82**	(0.01)
Total Net gain/(loss) on fair value changes	**9,119.04**	552.11
Fair Value changes:		
- Realised	**44.96**	214.18
- Unrealised	**9,074.08**	337.93
Total Net gain/(loss) on fair value changes	**9,119.04**	**552.11**

29.5 **Profit on sale of Investments in subsidiaries**

29.5.1 Profit on Sale of Investments include profit of ₹ **3,523.75 Crore** (Previous Year ₹ 314.27 Crore) on sale of investment in GRUH Finance Ltd ("GRUH", Erstwhile subsidiary).

During the year, GRUH is merged with Bandhan Bank Limited, in accordance with para 22 of "Ind AS 28 - Investments in Associates and Joint Ventures", on derecognition of investment in GRUH, the Corporation has recorded a fair value gain of ₹ **9,019.81 Crore** through the Statement of Profit and Loss (Refer Note 10.1).

29.5.2 During the previous year, the Corporation has earned profit of ₹ 895.71 Crore on offering of up to 85,92,970 equity shares of ₹ 5 each of equity shares of its subsidiary, HDFC Asset Management Company Limited (HDFC AMC) by way of offer for sale in the Initial Public Offering (IPO) of HDFC AMC.

29.6 **Income on Derecognised (assigned) Loans**

The Corporation has derecognised loans (measured at amortised cost) on account of assignment transactions resulting in total income of ₹ **993.53 Crore** (Previous Year ₹ 859.99 Crore) including upfront gains of ₹ **531.55 Crore** (Previous Year ₹ 457.62 Crore).

30. Finance Costs

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
On Financial Liabilities measured at Amortised Cost		
Interest on debt securities	**13,808.74**	14,017.89
Interest on borrowings	**6,645.23**	5,014.57
Interest on deposits	**9,818.99**	8,128.47
Interest on Subordinated Liabilities	**508.65**	511.12
Interest Expenses - Lease Rental Properties	**15.95**	-
Other charges	**203.80**	165.62
Total Finance Costs	**31,001.36**	**27,837.67**

30.1 The Finance cost for the year include foreign currency exchange loss of ₹ **40.43 Crore** (Previous Year ₹ 445.99 Crore), further Refer Note 44.6.1.3 Hedging Policy.

Notes forming part of the standalone financial statements (Continued)

31. Impairment on Financial Instruments

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
On Financial Assets measured at Amortised Cost		
Loans	**5,907.67**	920.33
Investments	**0.09**	0.53
Others	**5.34**	14.14
Total	**5,913.10**	**935.00**

31.1 The details relating to movement in Impairment on Loans (Expected credit loss) is disclosed in note 9.5.

31.2 The above amounts are net of the interest on Credit Impaired Assets mentioned in Note 28.1.

32. Employee Benefits Expenses

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries and Bonus	**491.95**	430.33
Contribution to Provident Fund and Other Funds	**56.25**	49.29
Staff Training and Welfare Expenses	**31.08**	25.82
Share Based Payments to employees	**13.64**	211.09
Total	**592.92**	**716.53**

32.1 The Corporation recognised ₹ **13.13 Crore** (Previous Year ₹ 10.40 Crore) for contributions to Gratuity Fund in the Statement of Profit and Loss.

33. Establishment Expenses

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Rent (Refer Note 33.2.2)	**0.54**	71.08
Rates and Taxes	**5.07**	5.21
Repairs and Maintenance - Buildings	**10.68**	9.33
General Office Expenses	**3.77**	3.22
Electricity Charges	**18.82**	17.31
Insurance Charges	**1.49**	1.42
Total	**40.37**	**107.57**

Notes forming part of the standalone financial statements (Continued)

33.1 Direct Operating Expenses arising from Investment Property

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
1. Direct operating expenses arising from investment property that generated rental income	**1.88**	2.94
2. Direct operating expenses arising from investment property that did not generate rental income	**1.11**	1.51
Total	**2.99**	**4.45**

33.2 Operating Leases

In accordance with the Indian Accounting Standard (Ind AS) 116 on 'Leases', the following disclosures in respect of Operating Leases are made:

The Corporation has acquired some of the office premises on operating lease basis for periods ranging from 1 year to 5 years.

On transition to Ind AS 116, the Corporation recognised right-of-use asset and lease liability. The impact on transition is summarised below:

Impact on Transition on April 1, 2019

Particulars	₹ in Crore
Right-of-use Assets presented in property and equipment	198.75
Lease Liability under Ind AS 116	198.75

33.2.1 Right of use assets

Right of use assets relates to office premises obtained on leases that are presented within Property, plants and equipments.

Particulars	₹ in Crore
Balance as at April 1, 2019	198.75
Addition for the year	69.61
Deletion during the year	(5.63)
Depreciation charge for the year (Net of deduction)	(68.27)
Balance as at March 31, 2020	194.46

When measuring lease liabilities for leases that were classified as operating leases, the Corporation discounted lease payments using its incremental borrowing rate at April 1, 2019. The weighted average rate applied is 7.70%.

Particulars	₹ in Crore
Operating lease commitments as at April 1, 2019	240.39
Right-of-use Assets recognised in property and equipment	198.75
Lease Liability under Ind AS 116	198.75

The difference between the lease obligation recorded as of March 31, 2019 under Ind AS 17 amounting to ₹ 198.48 Crore and the value of the lease liability as of April 1, 2019 is primarily on account of inclusion of cancellable lease period and extension options reasonably certain to be exercised, in measuring the lease liability in accordance with Ind AS 116 and discounting the lease liabilities to the present value under Ind AS 116.

33.2.2 For the details of accounting policies under Ind AS 116 refer note 3.10 Impact of Ind AS 116 on statement of profit & loss for the period is as under.

Amount Recognised in Statement of Profit & Loss Account

Particulars	₹ in Crore
Interest on lease liabilities	15.95
Depreciation charge for the year	69.06
Total	**85.01**

Cash out flow on account of lease payment is ₹ 75.58 Crore.

The total minimum lease payments for the previous year, in respect thereof, included under Rent, amounts to ₹ 0.33 Crore as per Ind AS 17.

The Following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments after the reporting period.

₹ in Crore

Period	As at March 31, 2020	As at March 31, 2019
	Ind AS 116	Ind AS 17
Not later than one year	**66.53**	0.27
Later than one year but not later than three years	**90.53**	-
Later than three years but not later than five years	**51.02**	
Later than five years	**38.38**	-
Total	**246.46**	0.27

34. Other Expenses

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Travelling and Conveyance	**17.90**	18.25
Printing and Stationery	**12.69**	11.60
Postage, Telephone and Fax	**35.38**	32.55
Advertising	**45.53**	35.02
Business Development Expenses	**35.42**	44.98
Loan Processing Expenses	**74.52**	59.02
Manpower Outsourcing	**67.72**	57.53
Repairs and Maintenance - Other than Buildings	**11.81**	10.47
Office Maintenance	**47.19**	41.16
Legal Expenses	**37.74**	21.59
Computer Expenses	**36.32**	31.08
Directors' Fees and Commission	**5.54**	5.16
Miscellaneous Expenses (Refer Note 34.2)	**283.89**	222.59
Auditors' Remuneration	**5.28**	4.94
Total	**716.93**	595.94

Notes forming part of the standalone financial statements (Continued)

34.1 Payments to auditors

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Audit Fees	**2.00**	1.67
ICFR Fees	**0.35**	0.30
Limited Reviews	**1.55**	0.95
Tax Matters	**0.60**	0.75
Other Matters and Certification	**0.78**	1.20
Reimbursement of Expenses	**-**	0.07
Total	**5.28**	4.94

Auditors' Remuneration above is excluding Goods and Service Tax.

34.2 Expenditure incurred for corporate social responsibility is ₹ **211.77 Crore** (Previous Year ₹ 173.52 Crore). The amount required to be spent is ₹ **210.70 Crore** (Previous Year ₹ 166.81 Crore).

The details of amounts spent towards CSR are as under:

₹ in Crore

Particulars	In Cash	Yet to be paid	Total
a) Construction/acquisition of any asset	-	-	-
b) On purposes other than (a) above	211.77	-	211.77

35. Other Comprehensive Income

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in fair value of FVOCI equity instruments	**(7,356.25)**	(168.06)
Remeasurements of post-employment benefit obligations	**(42.37)**	(18.35)
Total	**(7,398.62)**	(186.41)
Income tax relating to these items	**683.03**	47.41
Items that may be reclassified to profit or loss		
Deferred gains/(losses) on cash flow hedges	**55.94**	15.23
Deferred costs of hedging	**28.62**	(3.75)
Total	**84.56**	11.48
Income tax relating to these items	**(21.28)**	(4.01)
Other comprehensive income for the year, net of tax	**(6,652.31)**	(131.53)

35.1 During the previous year, the Corporation has sold Investment in Equity share classified as fair value through other comprehensive income amounting to ₹ 78.44 Crore and incurred loss of ₹ 10.17 Crore.

Notes forming part of the standalone financial statements (Continued)

36. Earnings per Share:

In accordance with the Indian Accounting Standard (Ind AS) 33 on 'Earnings Per Share':

In calculating the Basic Earnings Per Share, the Profit After Tax of ₹ **17,769.65 Crore** (Previous Year ₹ 9,632.46 Crore) has been adjusted for amounts utilised out of Shelter Assistance Reserve of ₹ **3.11 Crore** (Previous Year ₹ 14.94 Crore).

The reconciliation between the Basic and the Diluted Earnings Per Share is as follows :

Amount in ₹

Particulars	Current Year	Previous Year
Basic Earnings Per Share	**102.91**	56.53
Effect of outstanding Stock Options	**(0.79)**	(0.44)
Diluted Earnings Per Share	**102.12**	56.08

The Basic Earnings Per Share has been computed by dividing the adjusted Profit After Tax by the weighted average number of equity shares for the respective periods; whereas the Diluted Earnings Per Share has been computed by dividing the adjusted Profit After Tax by the weighted average number of equity shares, after giving dilutive effect of the outstanding Stock Options for the respective periods. The relevant details as described above are as follows:

Number in Crore

Particulars	Current Year	Previous Year
Weighted average number of shares for computation of Basic Earnings Per Share	**172.64**	170.15
Diluted effect of outstanding Stock Options	**1.34**	1.34
Weighted average number of shares for computation of Diluted Earnings Per Share	**173.98**	171.48

37. Segment Reporting

The Corporation's main business is financing by way of loans for the purchase or construction of residential houses, commercial real estate and certain other purposes, in India. All other activities of the Corporation revolve around the main business. As such, there are no separate reportable segments, as per the Indian Accounting Standard (Ind AS) 108 on 'Segment Reporting'. Segment reporting is done in the Consolidated financial statements as prescribed by Ind AS 108.

38. Employee Benefit Plan

38.1 **Defined Contribution Plans**

The Corporation recognised ₹ **15 Crore** (Previous Year ₹ 14.35 Crore) for superannuation contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Corporation are at rates specified in the rules of the schemes.

38.2 **Defined Benefit Plans**

Provident Fund

The fair value of the assets of the provident fund and the accumulated members' corpus is ₹ **525.10 Crore** and ₹ **510.73 Crore** respectively (Previous Year ₹ 441.38 Crore and ₹ 440.06 Crore respectively). In accordance with an actuarial valuation, there is a deficit of ₹ **1.34 Crore** in the interest cost as the present value of

Notes forming part of the standalone financial statements (Continued)

the expected future earnings on the fund is less than the expected amount to be credited to the individual members based on the expected guaranteed rate of interest of **8.50%**. The actuarial assumptions include discount rate of **6.84%** (Previous Year 7.77%) and an average expected future period of **14 years** (Previous Year 14 years). Expected guaranteed interest rate (weighted average yield) is **8.62%** (Previous Year 8.80%).

The Corporation recognised ₹ **25.01 Crore** (Previous Year ₹ 21.49 Crore) for provident fund contributions in the statement of profit and loss. The contributions payable to these plans by the Corporation are at rates specified in the rules of the schemes.

Characteristics of defined benefit plan

The Corporation has a defined benefit gratuity plan in India for its employees (funded). The Corporation's gratuity plan requires contributions to be made to a separately administered fund. The fund is managed by a trust which is governed by the Board of Trustees. The Board of Trustees are responsible for the administration of the plan assets and for the definition of the investment strategy.

During the year, there were no plan amendments, curtailments and settlements.

A separate trust fund is created to manage the Gratuity plan and the contributions towards the trust fund is done as guided by rule 103 of Income Tax Rules, 1962.

Risks associated with defined benefit plan

Gratuity is a defined benefit plan and Corporation is exposed to the following risks:

Interest rate risk: A fall in the discount rate, which is linked to the Government Securities rate, will increase the present value of the liability requiring higher provision. A fall in the discount rate generally increases the mark to market value of the assets depending on the duration of asset.

Salary Risk: The present value of the defined benefit plan liability is calculated by reference to the future salaries of members. As such, an increase in the salary of the members more than assumed level may increase the plan's liability.

Investment Risk: The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds. If the return on plan asset is below this rate, it will create a plan deficit. Currently, for the plan in India, it has a relatively balanced mix of investments in government securities, and other debt instruments.

Asset Liability Matching (ALM) Risk: The plan faces the ALM risk as to the matching cash flow. Since the plan is invested in lines of Rule 101 of Income Tax Rules, 1962, this generally reduces ALM risk.

Mortality risk: Since the benefits under the plan is not payable for life time and payable till retirement age only, plan does not have any longevity risk.

Other Post Retirement Benefit Plan

The details of the Corporation's post-retirement benefit plans for its employees including whole-time directors are given below which is as certified by the actuary and relied upon by the auditors:

Notes forming part of the standalone financial statements (Continued)

The Principal Assumptions used for the purpose of the actuarial valuation were as follows:

Particulars	As at March 31, 2020	As at March 31, 2019
Discount Rate	6.84%	7.77%
Return on Plan Assets	6.84%	7.77%
Salary Escalation	6.00%	6.00%

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

Amount recognised in Statement of Profit and Loss in respect of these defined benefit plans are as follows:

₹ in Crore

Particulars	Current Year	Previous Year
Service Cost:		
Current Service Cost	**12.42**	10.74
Interest Cost	**5.53**	4.05
Components of defined benefit costs recognised in profit or loss	**17.95**	14.79
Remeasurement on the net defined benefit liability:		
Actuarial (Gains)/Losses on Obligation for the Period	**36.44**	12.17
Return on Plan Assets, Excluding Interest Income	**5.82**	6.18
Components of defined benefit costs recognised in other comprehensive income	**42.26**	18.35
Total	**60.21**	33.14

The current service cost and the net interest expense for the year are included in the 'Employee benefits expenses' line item in the statement of profit and loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the balance sheet arising from the Corporation's obligation in respect of its defined benefit plan is as follows:

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Present value of funded / unfunded defined benefit obligation	**337.87**	284.65
Fair value of plan assets	**238.21**	213.48
Net Liability arising from defined benefit obligation	**99.66**	71.17

Notes forming part of the standalone financial statements (Continued)

Movement in the present value of the defined benefit obligation are as follows:

₹ in Crore

Particulars	Current Year	Previous Year
Opening defined benefit obligation	**284.65**	256.02
Current Service Cost	**12.42**	10.74
Interest Cost	**22.12**	19.81
Benefits Paid	**(17.76)**	(14.10)
Actuarial (Gains)/ Losses - Due to change in Financials Assumptions	**20.16**	(0.46)
Actuarial (Gains)/ Losses - Due to Experience	**16.28**	12.64
Closing defined benefit obligation	**337.87**	284.65
The Liability at the end of the year ₹ **337.85 Crore** (Previous Year ₹ 284.65 Crore) includes ₹ 76.47 Crore (Previous Year ₹ 63.19 Crore) in respect of an un-funded plan.		

Movement in the fair value of the plan assets are as follows.

₹ in Crore

Particulars	Current Year	Previous Year
Opening fair value of Plan Assets	**213.48**	203.90
Expected Return on Plan Assets	**16.59**	15.76
Contributions by the Corporation	**14.07**	-
Actuarial loss on Plan Assets	**(5.93)**	(6.18)
Closing fair value of Plan Assets	**238.21**	213.48

Investment Pattern:

% Invested

Particulars	**As at March 31, 2020**	As at March 31, 2019
Central Government securities	**2.45**	1.14
State Government securities/securities guaranteed by State/Central Government	**23.98**	24.75
Public Sector / Financial Institutional Bonds	**3.23**	4.07
Private Sector Bonds	**21.07**	18.46
Special Deposit Scheme	**0.93**	1.03
Insurance Fund	**40.29**	44.48
Others (including bank balances)	**8.05**	6.07
Total	**100.00**	100.00

Sensitivity Analysis - Gratuity Fund

₹ in Crore

Particulars	Current Year	Previous Year
Projected Benefit Obligation on Current Assumptions	**261.40**	221.46
Delta Effect of +1% Change in Rate of Discounting	**(15.92)**	(12.01)
Delta Effect of -1% Change in Rate of Discounting	**18.28**	13.74
Delta Effect of +1% Change in Rate of Salary Increase	**18.26**	13.85
Delta Effect of -1% Change in Rate of Salary Increase	**(16.18)**	(12.31)
Delta Effect of +1% Change in Rate of Employee Turnover	**0.89**	1.66
Delta Effect of -1% Change in Rate of Employee Turnover	**(1.02)**	(18.69)

Notes forming part of the standalone financial statements (Continued)

The sensitivity analysis have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analysis presented above may not be representative of the actual change in the projected benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the projected benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as applied in calculating the projected benefit obligation as recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Funding Arrangement and Policy

The money contributed by the Corporation to the fund to finance the liabilities of the plan has to be invested. The trustees of the plan are required to invest the funds as per the prescribed pattern of investments laid out in the income tax rules for such approved schemes. Due to the restrictions in the type of investments that can be held by the fund, it is not possible to explicitly follow an asset-liability matching strategy to manage risk actively.

Estimated amount of contribution expected to be paid to the fund during the annual period being after the Balance Sheet date is ₹ **20.02 Crore** (Previous Year ₹ 17.39 Crore).

Maturity Analysis of the Benefit Payments: From the Fund

₹ in Crore

Projected Benefits Payable in Future Years From the Date of Reporting	Current Year	Previous Year
1st Following Year	**36.78**	52.49
2nd Following Year	**24.73**	14.51
3rd Following Year	**43.53**	24.20
4th Following Year	**19.03**	26.78
5th Following Year	**18.02**	16.67
Sum of Years 6 to 10	**84.91**	70.34
Sum of Years 11 and above	**241.63**	207.52

Compensated absences

The actuarial liability of compensated absences of privilege leave of the employees of the Corporation is ₹ **134.63 Crore** (Previous Year ₹ 115.87 Crore).

Notes forming part of the standalone financial statements (Continued)

39. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled after factoring in rollover and prepayment assumptions.

₹ in Crore

ASSETS	As at March 31, 2020			As at March 31, 2019		
	Within 12 months	**After 12 months**	**Total**	Within 12 months	After 12 months	Total
Financial Assets						
Cash and cash equivalents	3,141.88	-	3,141.88	360.80	-	360.80
Bank Balance other than (a) above	226.60	57.21	283.81	1,151.05	84.41	1,235.46
Derivative financial instruments	2,122.51	3,586.77	5,709.28	190.35	1,213.00	1,403.35
Trade Receivables	230.06	-	230.06	186.86	-	186.86
Loans	69,039.13	3,70,904.15	4,39,943.28	64,341.11	3,36,418.52	4,00,759.63
Investments	42,704.52	22,239.85	64,944.37	26,843.00	19,397.35	46,240.35
Other financial assets	1,781.30	960.71	2,742.01	3,041.62	852.72	3,894.34
Non-Financial Assets						
Current Tax Asset	-	3,101.78	3,101.78	-	2,750.18	2,750.18
Deferred Tax Assets (Net)	-	1,567.94	1,567.94	-	830.91	830.91
Investment Property	-	890.43	890.43	-	321.32	321.32
Property, Plant and Equipment	-	986.10	986.10	-	644.23	644.23
Other Intangible Assets	-	362.85	362.85	-	7.10	7.10
Other Non-Financial Assets	189.77	-	189.77	143.02	-	143.02
Total Assets	**1,19,435.77**	**4,04,657.79**	**5,24,093.56**	**96,257.81**	**3,62,519.74**	**4,58,777.55**
LIABILITIES						
Financial Liabilities						
Derivative Financial Instruments	14.22	306.45	320.67	100.82	63.93	164.75
Trade Payables	196.80	-	196.80	190.17	-	190.17
Debt Securities	32,239.96	1,44,628.75	1,76,868.71	33,705.64	1,43,861.27	1,77,566.91
Borrowings (Other than debt securities)	25,749.06	79,159.58	1,04,908.64	15,868.63	61,679.91	77,548.54
Deposits	43,933.72	88,390.57	1,32,324.29	30,387.44	75,211.50	1,05,598.94
Subordinated Liabilities	1,000.00	4,000.00	5,000.00	250.00	5,250.00	5,500.00
Other Financial Liabilities	13,488.79	2,407.69	15,896.48	11,902.90	1,817.59	13,720.49
Non-Financial Liabilities						
Current Tax Liabilities (Net)	192.90	-	192.90	146.43	-	146.43
Provisions	53.66	206.88	260.54	113.82	95.73	209.55
Other Non-Financial Liabilities	1,046.59	919.88	1,966.47	776.30	-	776.30
Total Liabilities	**1,17,915.70**	**3,20,019.80**	**4,37,935.50**	**93,442.15**	**2,87,979.93**	**3,81,422.08**
Net Assets	**1,520.07**	**84,637.99**	**86,158.06**	**2,815.66**	**74,539.81**	**77,355.47**

40. Contingent Liabilities and Commitments

40.1 The Corporation is involved in certain appellate, judicial and arbitration proceedings (including those described below) concerning matters arising in the normal course of business including claims from revenue authorities, customers, contingencies arising from having issued guarantees to lenders or to other entities. The proceedings in respect of these matters are in various stages. Management has assessed the possible obligations arising from such claims against the Corporation, in accordance with the requirements of Indian Accounting Standard (Ind AS) 37 and based on judicial precedents, consultation with lawyers or based on its historical experiences. Accordingly, management is of the view that based on currently available information no provision in addition to that already recognised in its financial statements is considered necessary in respect of the above.

Notes forming part of the standalone financial statements (Continued)

40.2 Given below are amounts in respect of claims asserted by revenue authorities and others:

Contingent liability in respect of income-tax demands, net of amounts provided for and disputed by the Corporation, amounts to ₹ **2,064.18 Crore** (Previous Year ₹ 1,806.08 Crore). The said amount has been paid/ adjusted and will be received as refund if the matters are decided in favour of the Corporation.

Contingent liability in respect of disputed dues towards wealth tax, interest on lease tax, and payment towards employers' contribution to ESIC not provided for by the Corporation amounts to ₹ **0.13 Crore** (Previous Year ₹ 0.13 Crore).

The Management is generally unable to reasonably estimate a range of possible loss for proceedings or disputes other than those included in the estimate above as plaintiffs / parties have not claimed an amount of money damages, the proceedings are in early stages and/or there are significant factual issues to be resolved.

The management believes that the above claims made are untenable and is contesting them.

40.3 Contingent liability in respect of guarantees and undertakings comprise of the following:

a) Guarantees ₹ **384.86 Crore** (Previous Year ₹ 534.98 Crore).

b) Corporate undertakings for securitisation of receivables aggregated to ₹ **1,152.72 Crore** (Previous Year ₹ 1,838.13 Crore). The outflows would arise in the event of a shortfall, if any, in the cash flows of the pool of the securitised receivables.

In respect of these guarantees and undertaking, the management does not believe, based on currently available information, that the maximum outflow that could arise, will have a material adverse effect on the Corporation's financial condition.

40.4 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ **1,091.95 Crore** (Previous Year ₹ 890.45 Crore).

40.5. **Proposed Dividend**

The Board of Directors have proposed dividend on equity shares at ₹ **21 per share** at their meeting held on May 25, 2020. As per the Companies (Accounting Standard) Amendment Rules, 2016, the dividend will be recorded after the approval in the ensuing Annual General Meeting.

41. Movement in Impairment loss allowance (Expected Credit Loss)

Particulars	₹ in Crore
At 31 March 2018	**5,448.83**
Arising during the year	1,089.00
Utilised	(657.45)
At 31 March 2019	**5,880.38**
Arising during the year	6,112.10
Utilised	(994.62)
At 31 March 2020	**10,997.86**

The Corporation has made provision towards other loans and advances unsecured considered doubtful.

Notes forming part of the standalone financial statements (Continued)

42. Share-based payments

42.1 The details of the various stock options granted to employees pursuant to the Corporation's Stock Options Schemes and outstanding as on date are as under:

Particulars	ESOS-17	ESOS-14	ESOS-11	ESOS-08	ESOS-07
Plan period	2017-20	2014-17	2011-14	2008-11	2007-10
Quantum of Options	4,30,02,977	62,73,064	61,02,475	57,90,000	54,56,835
Equivalent number of shares of FV of ₹ 2 per share	4,30,02,977	3,13,65,320	3,05,12,375	2,89,50,000	2,72,84,175
Method of Accounting	Fair Value	Intrinsic value	Intrinsic value	Intrinsic value	Intrinsic value
Vesting period	1-3 years	1-3 years	1-3 years	1-3 years	1-3 years
Vesting condition(s)	Continued employment	Continued employment	Continued employment	Continued employment	Continued employment
Exercise period	5 Years from date of Vesting	5 Years from date of Vesting	5 Years from date of Vesting	5 Years from date of Vesting	5 Years from date of Vesting
Grant date	01/06/2017 30/10/2017 29/01/2018 16/03/2018 02/08/2019	8-Oct-14	23-May-12	25-Nov-08	12-Sep-07
Grant / Exercise price (₹ per Option)	₹ 1,569.85 to ₹ 2,086.80	₹ 5,073.25	₹ 3,177.50	₹ 1,350.60	₹ 2,149.00
Value of Equity Shares as on date of Grant of Original Option (₹ per share)	₹ 1,569.85 to ₹ 2,086.80	₹ 5,073.25	₹ 3,177.50	₹ 1,350.60	₹ 2,149.00

42.2 Method used for accounting for share based payment plan

The stock options granted to employees pursuant to the Corporation's Stock options Schemes, are measured at the fair value of the options at the grant date using Black-Scholes model. The fair value of the options determined at grant date is recognised as employee compensation cost over the vesting period on straight line basis over the period of option, based on the number of grants expected to vest, with corresponding increase in equity.

42.3 Movement during the year in the options under ESOS-17, ESOS-14, ESOS-11, ESOS-08 and ESOS-07:

Details of Activity in the options as at March 31, 2020

Number of options

Particulars	ESOS-17	ESOS-14	ESOS-11	ESOS-08	ESOS-07
Outstanding at the beginning of the year	**4,04,44,710**	**31,47,541**	**4,593**	**4,874**	**5,287**
Granted during the year	1,57,000	-	-	-	-
Exercised during the year	37,20,484	13,74,909	3,754	-	-
Lapsed during the year	40,312	1,271		-	-
Outstanding at the end of the year	3,68,40,914	17,71,361	839	4,874	5,287
Unvested at the end of the year	8,57,220	-	-	-	-
Exercisable at the end of the year	3,59,83,694	17,71,361	839	4,874	5,287
Weighted average price per option	1,573.22	5,073.25	3,177.50	1,350.60	2,149.00
Weighted average remaining contractual life	3.26	0.55	-	-	-

Notes forming part of the standalone financial statements (Continued)

Details of Activity in the options as at March 31, 2019

Number of options

Particulars	ESOS-17	ESOS-14	ESOS-11	ESOS-08	ESOS-07
Outstanding at the beginning of the year	4,24,42,106	42,64,210	4,35,254	4,874	5,287
Granted during the year	-	-	-	-	-
Exercised during the year	18,41,716	11,16,519	4,29,663	-	-
Lapsed during the year	1,55,680	150	998	-	-
Outstanding at the end of the year	4,04,44,710	31,47,541	4,593	4,874	5,287
Unvested at the end of the year	18,56,556	-	-	-	-
Exercisable at the end of the year	3,85,88,154	31,47,541	4,593	4,874	5,287
Weighted average price per option	1,571.33	5,073.25	3,177.50	1,350.60	2,149.00
Weighted average remaining contractual life	4.25	1.55	-	-	-

With effect from August 21, 2010, the nominal face value of equity shares of the Corporation was sub-divided from ₹ 10 per share to ₹ 2 per share. Each option exercised under ESOS-07, ESOS-08, ESOS-11 and ESOS-14 entitles 5 equity shares of ₹ 2 each. An option exercised under ESOS-17 entitles 1 equity share of ₹ 2 each.

42.4 **Fair Value Methodology**

The fair value of options have been estimated on the date of grant using Black-Scholes model as under:

The key assumptions used in Black-Scholes model for calculating fair value under ESOS-2017, ESOS-2014, ESOS-2011, ESOS-2008 and ESOS-2007, as on the date of grant, are as follows :

Particulars	ESOS-2017*	ESOS-2014	ESOS-2011	ESOS-2008	ESOS-2007
Risk-free interest rate (p.a.)	6.62%	8.28%	8.06%	6.94%	7.70%
Expected life	Upto 3 years	Upto 3 years	Upto 2 years	Upto 2 years	Upto 2 years
Expected volatility of share price	16%	15%	15%	29%	19%
Expected growth in dividend (p.a.)	20%	20%	20%	20%	20%
The weighted average fair value, as on the date of grant (per Stock Option)	₹ 275.40	₹ 1,035.91	₹ 474.56	₹ 238.79	₹ 307.28

Volatility is measure of the amount by which price has fluctuated or is expected to fluctuate during a period. The measure of volatility used in Black-Scholes Model is the annualised standard deviation of the continuously compounded rates of return on stock over a period of time.

* The stock based compensation expense determined under fair value based method and charged to the statement of profit and loss is ₹ **13.64 Crore** (Previous Year ₹ 211.09 Crore).

Notes forming part of the standalone financial statements (Continued)

43. Related Party Disclosures

Group structure

Subsidiary Companies	HDFC Life Insurance Company Ltd. HDFC Pension Management Company Ltd. (Subsidiary of HDFC Life Insurance Company Ltd.) HDFC International Life and Re Company Limited (Subsidiary of HDFC Life Insurance Company Ltd.) HDFC ERGO General Insurance Company Ltd. HDFC ERGO Health Insurance Ltd. (w.e.f. January 9, 2020) GRUH Finance Ltd. (Upto August 30, 2019) HDFC Asset Management Company Ltd. HDFC Credila Financial Services Private Ltd. HDFC Trustee Company Ltd. HDFC Capital Advisors Ltd. HDFC Holdings Ltd. HDFC Investment Ltd. HDFC Sales Pvt. Ltd. HDFC Education & Development Services Pvt. Ltd. HDFC Property Ventures Ltd. HDFC Venture Capital Ltd. HDFC Venture Trustee Company Ltd. Griha Pte Ltd. (Subsidiary of HDFC Investments Ltd.) Griha Investments (Subsidiary of HDFC Holdings Ltd.) HDFC Investment Trust (HIT) HDFC Investment Trust - II (HIT-II)
Associate Companies	HDFC Bank Ltd. True North Ventures Private Ltd. Good Host Spaces Pvt Ltd. (w.e.f. August 24, 2018) HDB Financial Services Ltd. (Subsidiary of HDFC Bank Ltd.) HDFC Securities Ltd. (Subsidiary of HDFC Bank Ltd.) Magnum Foundations Private Limited (Associate of HDFC Property Ventures Ltd.) GRUH Finance Ltd. (w.e.f. August 31, 2019 to October 17, 2019)
Entities over which control is exercised	H T Parekh Foundation HDFC Employees Welfare Trust HDFC Employees Welfare Trust 2 Maharashtra 3E Education Trust 3E Education Trust
Key Management Personnel	Mr. Keki M. Mistry (Vice Chairman & CEO) Ms. Renu Sud Karnad (Managing Director) Mr. V. Srinivasa Rangan (Executive Director) Mr. Deepak S Parekh Mr. B. S. Mehta (ceased to be related party effective July 30, 2018) Mr. Nasser Munjee Dr. Bimal Jalan (ceased to be related party effective July 30, 2018) Dr. J. J. Irani Mr. D. N. Ghosh (ceased to be related party effective April 30, 2018)

Notes forming part of the standalone financial statements (Continued)

Key Management Personnel	Mr. D. M. Sukthankar (ceased to be related party effective April 30, 2018) Mr. U. K. Sinha (appointed w.e.f. April 30, 2018) Ms. Ireena Vittal (appointed w.e.f. January 30, 2019) Dr. Bhaskar Ghosh (appointed w.e.f. September 27, 2018) Mr. Jalaj Dani (appointed w.e.f. April 30, 2018)
Relatives of Key Management Personnel (Whole-time Directors) *(where there are transactions)*	Mr Singhal Nikhil Mr. Ashok Sud Mr. Bharat Karnad Ms. Swarn Sud
Relatives of Key Management Personnel (Non-executive directors) *(where there are transactions)*	Mr. Siddharth D. Parekh Ms. Harsha Shantilal Parekh Ms. Hasyalata Bansidhar Mehta (ceased to be related party effective July 30, 2018) Ms. Tapasi Ghosh (ceased to be related party effective April 30, 2018) Chandrakant Mahadev Sukthankar (HUF) (ceased to be related party effective April 30, 2018) Mrs. Niamat Mukhtar Munjee Ms. Sarita Yeshwant Keni (ceased to be related party effective April 30, 2018) Ms. Smita D Parekh Adv Wadhwa Darpan (ceased to be related party effective July 30, 2018) Mr. Malav A Dani
Entities where Directors/Close family members of Directors of the Corporation having control/ significant influence *(where there are transactions)*	Geetanjali Trading and Investments Private Limited
Post Employment Benefit Plan	Housing Development Finance Corporation Ltd. Provident Fund Superannuation Fund Of Housing Development Finance Corporation Ltd. Gratuity Fund Of Housing Development Finance Corporation Ltd. GRUH Finance Limited Officers Superannuation Fund (Upto August 30, 2019)

Compensation of key management personnel of the Corporation

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Corporation and its employees. The Corporation includes the members of the Board of Directors which include independent directors (and its sub-committees) and Executive Committee to be key management personnel for the purposes of Ind AS 24 Related Party Disclosures.

Transactions with key management personnel of the Corporation

The Corporation enters into transactions, arrangements and agreements involving directors, senior management and their business associates, or close family members, in the ordinary course of business under the same commercial and market terms, interest and commission rates that apply to non-related parties.

Notes forming part of the standalone financial statements (Continued)

The Corporation's related party balances and transactions are summarised as follows:

₹ in Crore

Nature of related party	Nature of Transactions	March 31, 2020	March 31, 2019
Subsidiary	Dividend Income	**204.22**	603.35
	Interest Income	**20.21**	38.15
	Consultancy, Fees & Other Income	**170.24**	155.04
	Rent Income	**23.23**	22.89
	Deputation cost recovered	**2.80**	2.13
	Support cost recovered	**2.20**	2.39
	Other Income	**0.33**	0.36
	Interest Expense	**176.73**	131.97
	Other Expenses/ Payments (including DSA Commission)	**442.33**	438.17
	Investments made	**439.30**	259.66
	Investments sold / Redeemed	**85.93**	126.52
	Investments closing balance	**5,294.84**	3,136.06
	Loans given	**0.70**	108.70
	Loans repaid	**109.40**	108.50
	Loans closing balance	-	108.70
	Corporate Deposits placed	-	57.70
	Corporate Deposits Redeemed / withdrawn	-	57.70
	Corporate Deposits closing balance	-	-
	Trade Receivable	**66.55**	75.88
	Other Advances / Receivables	**17.40**	15.00
	Purchase of Fixed Assets	-	0.28
	Deposits Received	**90.67**	89.60
	Deposits repaid / matured	**92.17**	70.85
	Deposits closing balance	**19.50**	21.00
	Non-Convertible Debentures (Allotments under Primary Market)	**100.00**	-
	Non-Convertible Debentures - Redemption	**6.00**	55.00
	Non-Convertible Debentures closing balance	**2,429.00**	1,900.00
	Other Liabilities / Payables	**119.11**	130.86
	Commercial Paper- Redemption		-
Associates	Dividend Income	**864.63**	511.17
	Interest Income	**8.58**	5.48
	Rent Income	**1.50**	1.48
	Support cost recovered	**0.40**	0.70
	Assignment fees and Other income	**469.76**	387.05
	(Income)/Expenses on Swaps Transaction	**(54.84)**	(6.39)
	Interest Expense	**0.88**	10.27
	Bank & Other Charges	**1.96**	0.61
	Other Expenses/ Payments (including DSA Commission)	**286.46**	265.13
	Donation$	**3.00**	-
	Investments made	**86.71**	8,569.75

Notes forming part of the standalone financial statements (Continued)

₹ in Crore

Nature of related party	Nature of Transactions	March 31, 2020	March 31, 2019
	Investments sold / Redeemed	**-**	2.50
	Investments closing balance	**14,206.23**	14,119.52
	Loans given	**4.30**	-
	Loans Sold	**24,127.25**	23,982.42
	Loans closing balance	**4.30**	-
	Bank Deposits placed	**160.00**	70.00
	Bank Deposits matured / withdrawn	**70.00**	1,070.00
	Bank Balance and Deposits closing balance	**3,288.18**	351.05
	Trade Receivable	**51.64**	46.16
	Other Advances / Receivables	**123.68**	87.27
	Deposits Received	**75.00**	-
	Deposits repaid / matured	**75.00**	-
	Non-Convertible Debentures (Allotments under Primary Market)	**-**	685.00
	Non-Convertible Debentures - Redemption	**-**	428.00
	Non-Convertible Debentures closing balance	**-**	-
	Other Liabilities / Payables	**45.25**	29.50
	Amounts payable - Securitised Loans	**387.80**	452.01
	Dividend Paid	**0.02**	0.18
	Issuance of Letter of Comfort	**-**	6.00
Entities over which control is exercised	Deputation cost recovered	**0.21**	0.41
	Interest Expense	**13.68**	9.45
	Donation@	**182.80**	142.77
	Trade Receivable	**0.02**	-
	Deposits Received	**-**	112.26
	Deposits repaid / matured	**21.01**	70.00
	Deposits closing balance	**151.25**	172.26
	Other Liabilities / Payables	**0.17**	0.07
	Dividend Paid	**0.09**	-
Entities over which Director/ closed family member of director having control/ jointly control	Interest Income	**20.68**	-
	Loans repaid	**300.00**	-
	Loans closing balance	**-**	-
	Other Advances / Receivables	**-**	-
Post employment benefit plans of the Corporation or its related entities	Interest Expense	**0.17**	0.28
	Contribution To PF & Other Funds	**54.39**	46.17
	Other Advances / Receivables	**0.10**	-
	Non-Convertible Debentures - Redemption	**-**	0.10
	Non-Convertible Debentures closing balance	**1.80**	1.80
	Other Liabilities / Payables	**24.62**	8.15
Key Management Personnel (Whole-time Directors)	Interest Income	**-**	-
	Interest Expense	**0.29**	0.27
	Remuneration#	**39.19**	34.68
	Share based payments**	**-**	16.91
	Loans repaid	**0.01**	0.01

Notes forming part of the standalone financial statements (Continued)

₹ in Crore

Nature of related party	Nature of Transactions	March 31, 2020	March 31, 2019
	Loans closing balance	**0.02**	0.04
	Deposits Received	**0.01**	3.27
	Deposits repaid / matured	**0.01**	2.85
	Deposits closing balance	**3.28**	3.28
	Other Liabilities / Payables	**0.39**	0.13
	Dividend Paid	**6.59**	7.91
Key Management Personnel (Non whole-time Directors)	Interest Expense	**-**	0.09
	Sitting Fees	**1.04**	0.89
	Commission^^	**4.50**	4.27
	Share based payments**	**-**	3.77
	Dividend Paid	**2.14**	2.36
Relatives of Key Management Personnel (Whole-time Directors)	Interest Income	**0.03**	0.03
	Interest Expense	**0.04**	0.01
	Loans repaid	**0.03**	0.03
	Loans closing balance	**0.32**	0.35
	Other Advances / Receivables	**0.01**	-
	Deposits Received	**-**	0.50
	Deposits repaid / matured	**-**	0.11
	Deposits closing balance	**0.50**	0.50
	Other Liabilities / Payables	**0.05**	0.01
	Dividend Paid	**1.15**	1.32
Relatives of Key Management Personnel (Non whole-time Directors)	Interest Income	**-**	0.05
	Interest Expense	**1.56**	1.76
	Loans repaid	**-**	0.04
	Loans closing balance	**-**	-
	Deposits Received	**14.89**	21.40
	Deposits repaid / matured	**21.15**	16.09
	Deposits closing balance	**16.66**	22.95
	Other Liabilities / Payables	**0.75**	1.07
	Dividend Paid	**2.82**	3.22

Notes:-

All Related Party Transactions entered during the year were in ordinary course of the business and are on arm's length basis.

Expenses towards gratuity and leave encashment provisions are determined actuarially on overall Corporation basis at the end each year and, accordingly, have not been considered in the above information.

** Pursuant to receipt of shareholders approval by way of postal ballot, the Nomination and Remuneration Committee of Directors at its meeting held on June 1, 2017 granted 4,28,45,977 stock options under Employees Stock Option Scheme – 2017. Stock options are always granted at the prevailing market prices and as such the intrinsic value of the options is nil. However, effective from April 1, 2018, the Company has converged to Ind AS and in compliance with Ind AS 102, the same has been charged to the Statement of Profit and Loss Account with a corresponding credit to the Reserves.

^^ Commission is approved by the Board of Directors within the limit as approved by the shareholders of the Corporation and will be paid post adoption of annual accounts by the shareholders.

@ Previous year Donations includes ₹ 12 Crore, utilised out of Shelter Assistance Reserve.

$ Curent year Donations includes ₹ 3 Crore, utilised out of Shelter Assistance Reserve.

'0" denotes amount less than ₹ Fifty thousand.

Notes forming part of the standalone financial statements (Continued)

44. Financial instruments

44.1 Capital Management

The Corporation maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of National Housing Bank (NHB). The adequacy of the Corporation's capital is monitored using, among other measures, the regulations issued by NHB.

The Corporation has complied in full with all its externally imposed capital requirements over the reported period.

₹ in Crore

Particulars	March 31, 2020	March 31, 2019
Net debt	**4,15,959.76**	3,65,853.59
Total equity	**86,158.06**	77,355.47
Net debt to equity ratio	**4.83 : 1**	**4.73 : 1**

Loan covenants

Under the terms of the major borrowing facilities, the Corporation has complied with the covenants throughout the reporting period.

44.2 Financial Risk Management

The Corporation has to manage various risks associated with the lending business. These risks include Foreign exchange risk, interest rate risk and counterparty risk.

The Financial Risk management and Hedging Policy as approved by the Audit Committee sets limits for exposures on currency and other parameters. The Corporation manages its interest rate and currency risk in accordance with the guidelines prescribed therein.

Interest rate risks is mitigated by entering into interest rate swaps. The currency risk on the borrowings is actively managed mainly through a combination of principal only swaps, forward contracts, option contracts, and dollar denominated assets. Counterparty risk is reviewed periodically to ensure that exposure to various counterparties is well diversified and is within the limits fixed by the Derivative Committee.

As a part of Asset Liability Management, the Corporation has entered into interest rate swaps wherein it has converted a portion of its fixed rate rupee liabilities into floating rate linked to various benchmarks.

Notes forming part of the standalone financial statements (Continued)

44.3 Categories of Financial Instruments

₹ in Crore

Particulars	March 31, 2020			March 31, 2019		
	FVTPL	FVOCI / Cash Flow Hedge Reserve	Amortised cost	FVTPL	FVOCI / Cash Flow Hedge Reserve	Amortised cost
Financial Assets						
Investments						
Mutual funds	**24,038.19**	**-**	**-**	15,425.81	-	-
Government securities	**-**	**-**	**14,268.27**	-	-	10,457.45
Other approved securities	**-**	**-**	**-**	-	-	-
Equity shares	**603.76**	**4,952.21**	**-**	1,145.99	221.93	-
Preference Shares	**0.78**	**-**	**3.18**	0.45	-	-
Debentures	**130.90**	**101.30**	**423.62**	19.96	356.98	396.31
Pass-through Certificates	**-**	**-**	**22.57**	-	-	27.32
Security Receipts	**176.13**	**-**	**-**	221.69	-	-
Investment in Units of Venture Capital Fund	**775.21**	**-**	**-**	711.42	-	-
Derivative financial assets	**2,288.52**	**3,420.76**	**-**	962.00	441.35	-
Trade receivables	**-**	**-**	**230.06**	-	-	186.86
Loans	**-**	**-**	**4,39,943.28**	-	-	4,00,759.63
Other Financial Assets	**-**	**-**	**2,742.01**	-	-	3,894.34
Total Financial Assets	**28,013.49**	**8,474.27**	**4,57,632.99**	**18,487.33**	**1,020.26**	**4,15,721.91**
Financial Liabilities						
Derivative financial liabilities	**-**	**320.67**	**-**	-	164.75	-
Trade payables	**-**	**-**	**196.80**	-	-	190.17
Debt Securities	**67,418.68**	**-**	**1,09,450.03**	56,598.71	-	1,20,968.20
Borrowings	**-**	**-**	**1,04,908.64**	-	-	77,548.54
Deposits	**-**	**-**	**1,32,324.29**	-	-	1,05,598.94
Subordinated Liabilities	**-**	**-**	**5,000.00**	-	-	5,500.00
Other financial liabilities	**-**	**-**	**15,896.48**	-	-	13,720.49
Total Financial Liabilities	**67,418.68**	**320.67**	**3,67,776.24**	**56,598.71**	**164.75**	**3,23,526.34**

Note: The table above, does not include Cash and Cash Equivalents, Bank Balances, Investments in subsidiaries and Associates.

Notes forming part of the standalone financial statements (Continued)

44.3.1 **Fair Value Hierarchy**

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Corporation has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

₹ in Crore

Financial assets and liabilities measured at fair value - recurring fair value measurements	Level 1	Level 2	Level 3	Total
As at March 31, 2020				
Financial assets				
Financial Investments at FVTPL				
Mutual funds	24,018.12	20.07		24,038.19
Equity shares	191.94		411.82	603.76
Preference Shares			0.78	0.78
Debentures			130.90	130.90
Security Receipts		174.70	1.43	176.13
Investment in Units of Venture Capital Fund			775.21	775.21
Derivatives designated as fair value hedges				
- INR Interest Rate Swaps		2,288.52		2,288.52
Financial Investments at FVTOCI				
Equity Shares	3,925.87		1,026.34	4,952.21
Debentures			101.30	101.30
Derivatives designated as cash flow hedges				
- Forwards	-	485.00	-	485.00
- Currency swaps	-	2,079.45	-	2,079.45
- Options purchased (net)	-	856.31	-	856.31
Total financial assets	**28,135.93**	**5,904.05**	**2,447.79**	**36,487.77**
Financial liabilities				
Debt Securities	-	1,76,868.71	-	1,76,868.71
Derivatives designated as cash flow hedges				
- Interest Rate Swaps	-	260.57	-	260.57
- Forwards	-	-	-	-
- Currency swaps	-	60.10	-	60.10
- Options purchased (net)	-	-	-	-
Total financial liabilities	**-**	**320.67**	**-**	**320.67**

₹ in Crore

Financial assets and liabilities measured at fair value - recurring fair value measurements	Level 1	Level 2	Level 3	Total
As at March 31, 2019				
Financial assets				
Financial Investments at FVTPL				
Mutual funds	15,405.77	20.04	-	**15,425.81**
Equity shares	686.52	-	459.47	**1,145.99**

Notes forming part of the standalone financial statements (Continued)

₹ in Crore

Financial assets and liabilities measured at fair value - recurring fair value measurements	Level 1	Level 2	Level 3	Total
Preference Shares	-	-	0.45	**0.45**
Debentures	-	-	19.96	**19.96**
Security Receipts	-	214.70	6.99	**221.69**
Investment in Units of Venture Capital Fund	-	-	711.42	**711.42**
Derivatives designated as fair value hedges				
- Interest Rate Swaps	-	962.00	-	**962.00**
Financial Investments at FVTOCI				
Listed equity investments	204.67	-	-	**204.67**
Equity investments	-	-	17.26	**17.26**
Debentures	-	-	356.98	**356.98**
Derivatives designated as cash flow hedges				
- Forwards	-	7.42	-	**7.42**
- Currency swaps	-	311.73	-	**311.73**
- Options purchased (net)	-	122.20	-	**122.20**
Total financial assets	**16,296.96**	**1,638.09**	**1,572.53**	**19,507.59**
Financial liabilities				
Debt Securities		1,77,566.91		1,77,566.91
Derivatives designated as cash flow hedges				
- Forwards	-	100.71	-	100.71
- Currency swaps	-	63.93	-	63.93
- Options purchased (net)	-	0.11	-	0.11
Total financial liabilities	**-**	**164.75**	**-**	**164.75**

There has been no transfers between level 1, level 2 and level 3 for the year ended March 31, 2020 and 2019.

44.3.2 **Valuation technique used to determine fair value**

The fair value of a financial instrument on initial recognition is normally the transaction price (fair value of the consideration given or received). Subsequent to initial recognition, the Corporation determines the fair value of financial instruments that are quoted in active markets using the quoted bid prices (financial assets held) or quoted ask prices (financial liabilities held) and using valuation techniques for other instruments. Valuation techniques include discounted cash flow method, market comparable method, recent transactions happened in the company and other valuation models.

The Corporation measures financial instruments, such as investments (other than equity investments in Subsidiaries, Joint Ventures and Associates) at fair value.

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes forming part of the standalone financial statements (Continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 3, as described below:

Quoted prices in an active market (Level 1): Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments, units of mutual funds (open ended) and traded bonds that have quoted price. The fair value of all equity instruments (including bonds) which are traded in the stock exchanges is valued using the closing price as at the reporting period.

Valuation techniques with observable inputs (Level 2): The fair value of financial instruments that are not traded in an active market for example, Securities receipts, Mutual Funds (close ended) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2, this level of hierarchy includes financial assets, measured using inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Valuation techniques with significant unobservable inputs (Level 3): This level of hierarchy includes financial assets measured using inputs that are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part, using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data, this level of hierarchy includes unlisted equity instruments, venture fund units and security receipts.

44.3.3 Valuation Process - Equity Instrument Level 3

When the fair value of equity investments cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques including the Discounted Cash Flow (DCF) model, market comparable method and based on recent transactions happened in respective companies. The inputs to these models are taken from observable market where possible, but where this is not feasible, a degree of judgement is exercised in establishing fair values. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain unquoted equity instruments recent information is insufficient to measure fair value and cost represents the best estimate of fair value. These investments in equity instruments are not held for trading.

Notes forming part of the standalone financial statements (Continued)

44.3.4 Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods March 31, 2020: ₹ in Crore

Particulars	Equity securities	Preference Shares	Debentures	Venture Funds	Security Receipts	Total
As at March 31, 2018	**556.20**	**42.70**	**376.94**	**397.88**	**9.65**	**1,383.37**
Acquisitions	-	-	-	325.10	-	325.10
Disposal	(47.06)	(42.25)	-	(44.31)	(1.96)	(135.58)
Gains/losses recognised in profit or loss	134.52	-	-	32.77	(0.70)	166.59
Gains(losses) recognised in other comprehensive income	(166.93)	-	-	-	-	(166.93)
As at March 31, 2019	**476.73**	**0.45**	**376.94**	**711.44**	**6.99**	**1,572.55**
Acquisitions	750.00		93.50	138.93		982.43
Disposal	(0.78)	-	-	(51.45)	(1.02)	(53.25)
Interest Income	-	-	2.82	-	-	2.82
Gains/losses recognised in profit or loss	(46.87)	0.33	14.62	(23.71)	(4.54)	(60.17)
Gains/(losses) recognised in other comprehensive income	259.08	-	(255.68)	-	-	3.40
As at March 31, 2020	**1,438.16**	**0.78**	**232.20**	**775.21**	**1.43**	**2,447.78**
Unrealised Gains/(losses) recognised in profit and loss related to assets and liabilities held at the end of the reporting period						
For the year ended March 31, 2019	134.52	-	-	32.77	(0.70)	166.59
For the year ended March 31, 2020	(46.87)	0.33	14.62	(23.71)	(4.54)	(60.17)

44.3.5 Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See (ii) above for the valuation techniques adopted. ₹ in Crore

Particulars				Sensitivity	
	March 31, 2020	March 31, 2019	Significant unobservable inputs*	Favourable	Un-favourable
Unquoted equity shares	**419.66**	476.73	Valuation Factor	A positive change in the Valuation Factor by 10% increases the fair value by ₹ 42.53 Crore in FY20.	An adverse change in the Valuation Factor by 10% reduces the fair value by ₹ 42.25 Crore in FY20.
Locked in Shares of Yes Bank Ltd	**1,018.50**	-	Valuation Factor	A positive change in the Valuation Factor by 10% increases the fair value by ₹ 101.85 Crore in FY20.	An adverse change in the Valuation Factor by 10% reduces the fair value by ₹ 101.85 Crore in FY20.
Compulsorily Convertible Preference Shares	**0.78**	0.45	Valuation Factor	A positive change in the Valuation Factor by 10% increases the fair value by ₹ 0.08 Crore in FY20.	An adverse change in the Valuation Factor by 10% reduces the fair value by ₹ 0.08 Crore in FY20.
Convertible Debentures	**232.20**	376.94	Valuation Factor	A positive change in the Valuation Factor by 10% increases the fair value by ₹ 22.94 Crore in FY20.	An adverse change in the Valuation Factor by 10% reduces the fair value by ₹ 22.94 Crore in FY20.
Venture Funds	**775.21**	711.42	Net Asset Value	Increase in NAV by 10% increases the fair value by ₹ 70.45 Crore in FY20.	Decrease in NAV by 10% reduces the fair value by ₹ 73.86 Crore in FY20.
Security Receipts	**1.43**	6.99	Net Asset Value	Increase in NAV by 10% increases the fair value by ₹ 0.14 Crore in FY20.	Decrease in NAV by 10% reduces the fair value by ₹ 0.14 Crore in FY20.

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

Valuation Factor includes Discounted Cash Flows, Equity Multiples such as PE Ratio, Price to Book Value Ratio and EV/EBITDA Ratio.

Sensitivity data are calculated using a number of techniques, including analysing price dispersion of different price sources, adjusting model inputs to reasonable changes within the fair value methodology.

Notes forming part of the standalone financial statements (Continued)

44.3.6 **Fair value of the Financial Assets that are not measured at fair value and Fair Value hierarchy**

Except as detailed in the following table, the carrying amount of financial assets and financial liabilities recognised in the financial statements approximate their fair value.

₹ in Crore

Particulars	As at 31 March 20			As at 31 March 19		
	Carrying Value	**Fair Value**	**Fair Value hierarchy**	Carrying Value	Fair Value	Fair Value hierarchy
Financial Assets at amortised cost						
Government securities	14,268.27	14,531.94	Level 2	10,457.45	10,164.73	Level 2
Debentures	423.62	424.6	Level 3	396.31	396.93	Level 3
Pass-through Certificates	22.57	22.72	Level 3	27.32	27.32	Level 3
Total Financial Assets	**14,714.46**	**14,979.26**		**10,881.08**	**10,588.98**	
Financial liabilities at amortised cost						
Non Convertible Debentures	1,42,033.78	1,43,398.24	Level 2	1,29,290.46	1,29,482.51	Level 2
Synthetic Rupee Denominated Bonds	6,100.00	6,075.28	Level 2	11,100.00	11,039.76	Level 2
Subordinated Liabilities	5,000.00	5,281.22	Level 2	5,500.00	5,648.42	Level 2
Deposits	1,32,664.37	1,33,538.37	Level 2	1,05,880.63	1,05,640.63	Level 2
Total Financial Liabilities	**2,85,798.15**	**2,88,293.10**		**2,51,771.09**	**2,51,811.32**	

44.3.6.1 **Note:** The Fair Value of the financial assets and financial liabilities are considered at the amount, at which the instrument could be exchanged in current transaction between willing parties, other than in forced or liquidation sale.

44.3.6.2 **Loans**

Substantially all loans reprice frequently, with interest rates reflecting current market pricing, the carrying value of these loans amounting to ₹ **4,39,943.28 Crore** (Previous year ₹ 4,00,759.63 Crore) approximates their fair value.

44.3.6.3 **Other Financial Assets and Liabilities**

With respect to Bank Balances and Cash and Cash Equivalents (Refer Notes 5 and 6), Trade Receivables (Refer Note 8), Other Financial Assets (Refer Note 11), Trade Payables (Refer Note 17) and Other Financial Liabilities (Refer Note 22), the carrying value approximates the fair value.

44.3.6.4 Non Convertible Debentures fair value has been computed using the Fixed Income Money Market and Derivatives Association of India ('FIMMDA') data on corporate bond spreads.

Notes forming part of the standalone financial statements (Continued)

44.3.7 **Equity Instrument designated at FVOCI**

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Andhra Cements Ltd.	**4.12**	13.26
Asset Reconstruction Co. (India) Ltd.	**-**	-
Bandhan Bank Ltd.	**3,247.02**	-
Citrus Processing India Pvt Ltd.	**6.85**	17.26
CL Educate Ltd.	**1.85**	7.22
Clayfin Technologies Private Limited (Erstwhile Vayana Enterprises Pvt. Ltd.)	**0.99**	-
GMR Chhattisgarh Energy Limited	**-**	-
Hindustan Oil Exploration Co. Ltd.	**48.95**	182.70
Infrastructure Leasing & Financial Services Ltd.	**-**	-
Reliance Capital Limited	**7.31**	-
Reliance Communications Limited	**8.71**	-
Reliance Infrastructure Limited	**22.01**	-
Reliance Naval and Engineering Ltd. (Erstwhile Reliance Defence And Engineering Ltd)	**0.21**	1.50
Reliance Power Limited	**24.44**	-
Yes Bank Limited (Refer Note 25.1)	**1,579.75**	-
Total	**4,952.21**	221.93

44.4 **Credit Risk**

Credit risk is the risk of loss that may occur from the failure of any party to abide by the terms and conditions of any contract, principally the failure to make required payments of amounts due to the Corporation. In its lending operations, the Corporation is principally exposed to credit risk.

The credit risk is governed by various Product Policies. The Product Policy outlines the type of products that can be offered, customer categories, the targeted customer profile and the credit approval process and limits.

The Corporation measures, monitors and manages credit risk at an individual borrower level and at the group exposure level for corporate borrowers. The credit risk for individual borrowers is being managed at portfolio level for both Housing loans and Non Housing Loans. The Corporation has a structured and standardized credit approval process, which includes a well-established procedure of comprehensive credit appraisal. The Risk Management Policy addresses the recognition, measurement, monitoring and reporting of the Credit risk. The Corporation has additionally taken the following measures:-

- Lower borrower group exposure limits.
- Establishment of a separate Policy Implementation & Process Monitoring (PIPM) team to enhance focus on monitoring of process implementation at the branches and to facilitate proactive action wherever required.
- Enhanced monitoring of Retail product portfolios through periodic review.

Credit Approval Authorities

The Board of Directors has delegated credit approval authority to a sanctioning committee with approval limits which is approved by the Managing Director.

Notes forming part of the standalone financial statements (Continued)

Credit Risk Assessment Methodology

44.4.1 **Corporate Portfolio**

The Corporation has an established credit appraisal procedure which has been detailed in Corporate Loans Policy and Developer Loans Policy respectively. The policies outline appraisal norms including assessment of quantitative and qualitative parameters along with guidelines for various products. The policy also includes process for approval of Loans which are subject to review and approval by Sanctioning Committees.

Corporation carries out a detailed analysis of funding requirements, including normal capital expenses, long-term working capital requirements and temporary imbalances in liquidity. A significant portion of Corporate Finance loans are secured by a lien over appropriate assets of the borrower.

Borrower risk is evaluated by considering:

- the risks and prospects associated with the industry in which the borrower is operating (industry risk);
- the financial position of the borrower by analysing the quality of its financial statements, its past financial performance, its financial flexibility in terms of ability to raise capital and its cash flow adequacy (financial risk);
- the borrower's relative market position and operating efficiency (business risk);
- the quality of management by analysing their track record, payment record and financial conservatism (management risk); and
- the risks with respect to specific projects, both pre-implementation, such as construction risk and funding risk, as well as post-implementation risks such as industry, business, financial and management risks related to the project (project risk).

44.4.2 **Lease rental discounting**

Loan is given against assured sum of rentals/receivables.

The risk assessment procedure include:

- carrying out a detailed evaluation of terms of Lease / Leave and License Agreements such as lease rental receivables, term of the leases and periodicity of rentals.
- conducting due diligence on and appraisal of Borrowers / Lessors and Lessees including due diligence of project/property. These Loans are secured by project property and serviced from rentals/receivables.

44.4.3 **Construction Finance**

Loan given for construction of Residential/Commercial properties.

The Corporation has a framework for appraisal and execution of Construction finance transactions detailed in Developer Loans Policy. The Corporation believes that this framework creates optimal risk identification, allocation and mitigation and helps minimize residual risk.

The project finance approval process includes detailed evaluation of technical, commercial, financial, legal with respect to the projects and the Borrower Group's financial strength and experience.

As part of the appraisal process, a note is generated, which identifies each of the project risks, mitigating factors and residual risks associated with the project. After credit approval, an Offer Letter is issued to the borrower, which outlines the principal financial terms of the proposed facility, Borrowers/Security providers obligations, conditions precedent to disbursement, undertakings from and covenants on the borrower.

After completion of all formalities by the borrower, a loan Transaction documents are entered into with the borrower.

Notes forming part of the standalone financial statements (Continued)

Construction finance loans are generally fully secured and have full recourse against the borrower. In most cases, the Corporation has mortgage of Project financed. Security typically include project property and receivables of the project property, as well as other tangible assets of the borrower, both present and future. The Corporation also takes additional credit comforts such as corporate or personal guarantees and shortfall undertaking from one or more sponsors of the project.

The Corporation requires the borrower to submit periodic reports and continue to monitor the exposure until loans are fully repaid.

Further since both Lease Rental Discounting and Construction Finance Facilities are mostly serviced from receivables from the projects/property financed, all the cash flows are charged to the Corporation, and are ring fenced by way of Escrow mechanism. Under this mechanism all such receivables flow into Escrow Account from where amounts are directly credited into the Corporation's account.

44.4.4 **Individual Loans**

Our customers for retail loans are primarily low, middle and high-income, salaried and self-employed individuals. The Corporation's credit officers evaluate credit proposals on the basis of active credit policies as on the date of approval. The criteria typically include factors such as the borrower's income & obligations, the loan-to-value ratio and demographic parameters subject to regulatory guidelines. Any deviations need to be approved at the designated levels.

The various process controls such as PAN Number Check, CERSAI database scrubbing, Credit Bureau Report analysis are undertaken prior to approval of a loan. In addition External agencies such as field investigation agencies facilitate a comprehensive due diligence process including visits to offices and homes.

The Corporation analyses the portfolio performance of each product segment regularly, and use these as inputs in revising our product programs, target market definitions and credit assessment criteria to meet our twin objectives of combining volume growth and maintenance of asset quality. Individual loans are secured by the mortgage of the borrowers property.

44.4.5 **Risk Management and Portfolio Review**

The Corporation ensures effective monitoring of credit facilities through a risk-based asset review framework under which the frequency of asset review is determined depending on the risk associated with the product. For both Corporate and Individual borrowers, the Operations team verifies adherence to the terms of the credit approval prior to the commitment and disbursement of credit facilities. The Operations team monitors compliance with the terms and conditions for credit facilities prior to disbursement. It also reviews the completeness of documentation, creation of security and compliance with regulatory guidelines.

The Credit Risk Management team of the Corporation, regularly reviews the credit quality of the portfolio and various sub-portfolios. A summary of the reviews carried out by the Credit Risk Management is submitted to the Branches & Management Team for its information. Exposure to non-individual entities in stress is reviewed frequently by a credit review committee consisting of senior management personnel.

The Policy implementation and Process Monitoring team reviews adherence to policies and processes, carries out audit and briefs the Audit Committee and the Board periodically.

44.4.6 **Collateral and other credit enhancements**

The Corporation holds collateral or other credit enhancements to cover its credit risk associated with its Loans and Inter corporate deposits, credit risk associated are mitigated because the same are secured against the collateral. The main types of collateral obtained are, as follows:

Registered / equitable mortgage of property, Non disposal undertakings in respect of shares, pledge of shares, units, other securities, assignment of life insurance policies, Hypothecation of assets, Bank guarantees, company guarantees or personal guarantees, Negative lien, Assignment of receivables, Liquidity Support Collateral [e.g. DSRA (Debt Service Reserve Account), Lien on Fixed Deposit].

The carrying amount of loans as at March 31 2020 is ₹ **4,50,902.76 Crore** (Previous Year ₹ 4,06,607.06 Crore) which best represent the maximum exposure to credit risk, the related Expected credit loss amount to ₹ **10,959.48 Crore** (Previous Year ₹ 5,847.43 Crore). The Corporation has right to sell or pledge the collateral in case borrower defaults.

44.5 Liquidity Risk

Maturities of Financial Liabilities

The tables below analyse the Corporation's financial liabilities into relevant maturity groupings based on their contractual maturities for: all non-derivative financial liabilities, and net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows.

₹ in Crore

Contractual maturities of financial liabilities 31 March 2020	0-1 years	1-3 years	3-5 years	>5 years	Total
Non-Derivatives					
Debt Securities	70,512.52	42,043.54	17,882.76	46,430.44	1,76,869.26
Borrowings (Other than Debt Securities)	71,792.24	14,094.73	16,851.24	2,256.45	1,04,994.66
Deposits	75,756.17	41,625.78	11,804.91	3,477.51	1,32,664.37
Subordinated Liabilities	1,000.00	1,000.00	3,000.00	-	5,000.00
Other Financial Liabilities	13,488.79	2,330.45	42.65	34.59	15,896.48
Trade Payables	196.80	-	-	-	196.80
Total Non-Derivative Liabilities	**2,32,746.52**	**1,01,094.50**	**49,581.56**	**52,198.99**	**4,35,621.57**
Derivatives (net settled)					
Foreign exchange forward contracts					-
Currency Swaps	-	25.57	34.53	-	60.10
USD Interest Swaps	14.23	47.89	198.45	-	260.57
Interest Rate Swaps	-	-	-	-	-
Total Derivative Liabilities	**14.23**	**73.46**	**232.98**	**0.00**	**320.67**

₹ in Crore

Contractual maturities of financial liabilities 31 March 2019	0-1 years	1-3 years	3-5 years	>5 years	Total
Non-Derivatives					
Debt Securities	77,583.95	57,056.79	7,586.02	35,376.75	1,77,603.51
Borrowings (Other than Debt Securities)	50,735.89	12,593.87	10,913.16	3,424.62	77,667.54
Deposits	58,106.16	38,225.27	6,238.38	3,310.82	1,05,880.63
Subordinated Liabilities	500.00	2,000.00	0.00	3,000.00	5,500.00
Other Financial Liabilities	11,902.90	1,817.59	-	-	13,720.49
Trade Payables	190.17	-	-	-	190.17
Total Non-Derivative Liabilities	**1,99,019.07**	**1,11,693.52**	**24,737.56**	**45,112.19**	**3,80,562.34**
Derivatives (net settled)					
Foreign exchange forward contracts	100.71	-	-	-	100.71
Currency swaps	-	9.40	54.53	-	63.93
Options purchased (net)	0.11	-	-	-	0.11
Interest Rate Swaps	-	-	-	-	-
Total Derivative Liabilities	**100.82**	**9.40**	**54.53**	**-**	**164.75**

Notes forming part of the standalone financial statements (Continued)

44.6 Market Risk

44.6.1 Foreign currency risk

The Corporation operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD and JPY. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the company's functional currency i.e. INR. The objective of the hedges is to minimise the volatility of the INR cash flows.

The Corporation's risk management policy allows it to keep the foreign currency risk open upto 5% of the total borrowings.

The Corporation uses a combination of foreign curreny swaps, option contracts and foreign exchange forward contracts to hedge its exposure in foreign currency risk. The Corporation designates intrinsic value of the forward contracts and option contracts as hedging instruments. In case the hedge effectiveness is 100%, the change in the intrinsic value of the forward contracts or the option contracts and the change in carrying value of the underlying foreign currency liability are compared and the difference is recognised in cash flow hedge reserve. The changes in time value that relate to the forward contracts or option contracts are deferred in the costs of hedging reserve and recognised against the related hedged transaction when it occurs. Amortisation of forward points through cash flow hedge reserve which is pertaining to the forward contracts is recognised in the statement of profit and loss over life of the forward contracts. During the years ended March 31, 2020 and 2019, the Corporation did not have any hedging instruments with terms which were not aligned with those of the hedged items.

The spot component of forward contracts is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points.

The intrinsic value of foreign exchange option contracts is determined with reference to the relevant spot market exchange rate. The differential between the contracted strike rate and the spot market exchange rate is defined as the intrinsic value. Time value of the option is the difference between fair value of the option and the intrinsic value.

44.6.1.1 Foreign currency risk exposure:

The Corporation's exposure to foreign currency risk at the end of the reporting period expressed in INR, are as follows:

₹ in Crore

Particulars	March 31, 2020					March 31, 2019				
	USD	JPY	SGD	GBP	AED	USD	JPY	SGD	GBP	AED
Financial Liabilities										
Foreign currency loan and others	(33,510.25)	(3,703.84)	(5.31)	(27.45)	(7.92)	(19,540.62)	(3,323.68)	(0.29)	(0.09)	(0.10)
Exposure to foreign currency risk (liabilities) (a)	(33,510.25)	(3,703.84)	(5.31)	(27.45)	(7.92)	(19,540.62)	(3,323.68)	(0.29)	(0.09)	(0.10)
Financial Assets										
Dollar Denominated loans & others	153.07	-	19.52	104.14	24.05	770.14	-	0.48	0.09	0.79
Derivative Assets										
Foreign exchange Derivative contracts	33,357.32	3,702.42	-	-	-	18,658.09	3,323.68	-	-	-
Exposure to foreign currency risk (assets) - (b)	33,510.39	3,702.42	19.52	104.14	24.05	19,428.23	3,323.68	0.48	0.09	0.79
Net exposure to foreign currency risk c = (a) + (b)	0.14	(1.42)	14.21	76.69	16.13	(112.39)	-	0.19	-	0.69

Notes forming part of the standalone financial statements (Continued)

44.6.1.2 **Foreign currency sensitivity analysis:**

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments and the impact on other components of equity arises from foreign exchange forward contracts, foreign exchange option contracts designated as cash flow hedges.

₹ in Crore

Particulars	Impact on profit after tax		Impact on other components of equity	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
USD sensitivity				
INR/USD -Increase by 1% *	-	1.37	(1.25)	23.24
INR/USD -Decrease by 1% *	-	(1.37)	0.52	(23.24)
JPY sensitivity				
INR/JPY -Increase by 1% *	-	-	19.11	0.27
INR/JPY -Decrease by 1% *	-	-	(19.11)	(0.27)

Note: Balances in SGD, GBP and AED are relating to foreign branches, it does not have material impact in statement of Profit and Loss, accordingly the same is not considered for sensitivity analysis.

* Assuming all other variable is constant

44.6.1.3 **Hedging Policy**

The Corporation's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind AS. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Corporation enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative and quantitative assessment of effectiveness is performed.

Cash Flow Hedge

The impact of the hedging instrument and hedged item on the balance sheet:

Hedging Instrument

₹ in Crore

Particulars	Notional amount	Carrying amount of hedging instruments Assets	Carrying amount of hedging instruments Liabilities	Line in the balance sheet	Weighted average contract / strike price of the hedging instrument	Change in the fair value in the hedging instrument used as the basis for recognising hedge ineffectiveness - (profit) / loss
March 31, 2020						
INR USD - Forward exchange contracts	10,985.44	482.75	-	Derivative financial instruments	74.16	(506.12)
INR JPY - Forward exchange contracts	1,405.81	2.25	-		0.64	(72.17)
INR USD - Currency Swaps	14,567.46	1,801.37	25.57		66.87	(1,513.76)
USD - Interest Swaps	12,750.40	-	260.57			260.58
INR JPY - Currency Swaps	3,702.42	278.08	34.53		0.63	(257.79)
Option purchased (net)	11,007.12	856.31	-		70.67*	(734.23)
Total	54,418.65	3,420.76	320.67			(2,823.49)

* denotes strike price range for bought call and sold put (at 70.67).

Notes forming part of the standalone financial statements (Continued)

₹ in Crore

Particulars	Notional amount	Carrying amount of hedging instruments Assets	Carrying amount of hedging instruments Liabilities	Line in the balance sheet	Weighted average contract / strike price of the hedging instrument	Change in the fair value in the hedging instrument used as the basis for recognising hedge ineffectiveness - (profit) / loss
March 31, 2019						
INR USD - Forward exchange contracts	1,227.59	7.42	30.79	Derivative financial instruments	71.99	40.91
INR JPY - Forward exchange contracts	1,949.23	-	69.92		0.63	69.92
INR USD - Currency Swaps (incl. EXIM swap)	11,452.48	311.73	49.69		66.75	(393.10)
INR JPY - Currency Swaps	1,374.45	-	14.24		0.63	14.24
Option purchased (net)	6,757.73	122.20	0.11		69.46 75.62^	(122.09)
Total	**22,761.48**	**441.35**	**164.75**			**(390.12)**

^ denotes strike price range for bought call and sold put (at 69.46) - sold call (at 75.62).

Hedged Item

₹ in Crore

Particulars	Change in the value of hedged item used as the basis for recognising hedge ineffectiveness		Cash flow hedge reserve as at		Cost of hedging as at		Foreign Currency Monetary Items Translation Reserve	
	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
FCY Term Loans	**(1,203.74)**	136.47	**104.04**	0.39	**4.21**	3.75		-
External Commercial Borrowings (incl. ADB loans)	**(1,551.93)**	282.88	**83.24**	242.82	**(29.08)**	-		-
			187.28	**243.21**	**(24.88)**	**3.75**		

Note: figures are gross of tax

The impact of the cashflow hedges in the statement of profit and loss and other comprehensive income:

₹ in Crore

Particulars	Hedging gains or losses recognised in other comprehensive income		Hedge ineffectiveness recognised in statement of profit and loss		Line in the statement of profit and loss that includes hegde ineffectiveness
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	
Forward exchange contracts and Currency swaps	**(79.45)**	(15.23)	**-**	-	Finance Cost
Option purchased (net)	**(5.12)**	3.75	**5.28**	(130.65)	

Fair Value Hedge

The impact of the hedging instrument and hedged item on the balance sheet:

Hedging Instrument

₹ in Crore

Particulars	Notional amount		Carrying amount - Asset		Line in the balance sheet		Change in fair value used for measuring ineffectiveness for the period	
	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
Interest Rate Swap as at	**65,100.00**	55,650.00	**2,288.52**	962.00	Derivative financial instruments		**1,326.52**	624.15

Notes forming part of the standalone financial statements (Continued)

Hedged Item

₹ in Crore

Particulars	Notional amount		Accumulated fair value adjustment - Liability		Line in the balance sheet		Change in fair value used for measuring ineffectiveness for the period	
	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
Fixed-rate borrowing as at	65,100.00	55,650.00	2,318.68	948.71	Derivative financial instruments		1,369.97	670.59

The impact of the fair value hedges in the statement of profit and loss:

₹ in Crore

Particulars	Hedge ineffectiveness recognised in statement of profit and loss		Line in the statement of profit and loss that includes hegde ineffectiveness
	March 31, 2020	**March 31, 2019**	
Interest Rate Swap	43.45	46.44	Finance Cost

44.6.1.4 Hedge Ratio

The foreign exchange forward, options and currency swap contracts are denominated in the same currency as the highly probable future foreign currency principal and interest payments, therefore the hedge ratio is 1:1. The notional amount of interest rate swap is equal to the portion of variable rate loans that is being hedged, and therefore the hedge ratio for interest rate swap is also 1:1. The entire amount of foreign currency loan is designated as hedge of net investment and hence the hedge ratio is 1:1.

44.6.2 Interest rate risk

The Corporation's core business is doing housing loans. The Corporation raises money from diversified sources like deposits, market borrowings, term Loan, foreign currency borrowings amongst others. In view of the financial nature of the assets and liabilities of the Corporation, changes in market interest rates can adversely affect its financial condition. The fluctuations in interest rates can be due to internal and external factors. Internal factors include the composition of assets and liabilities across maturities, existing rates and re-pricing of various sources of borrowings. External factors include macro economic developments, competitive pressures, regulatory developments and global factors. The rise or fall in interest rates impact the Corporations Net Interest Income depending on whether the Balance sheet is asset sensitive or liability sensitive.

The Corporation uses traditional gap analysis report to determine the Corporation's vulnerability to movements in interest rates. The Gap is the difference between Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL) for each time bucket. It indicates whether the Corporation is in a position to benefit from rising interest rates by having a positive Gap (RSA > RSL) or whether it is in a position to benefit from declining interest rates by a negative Gap (RSL > RSA). The Corporation also fixes tolerance limits for the same as per the ALM Policy.

44.6.2.1 Interest rate risk exposure

The break-up of the Corporation's borrowing into variable rate and fixed rate at the end of the reporting period are as below:

Particulars	March 31, 2020	March 31, 2019
Variable rate borrowings	**70%**	67%
Fixed rate borrowings	**30%**	33%
Total borrowings	**100%**	100%

The break-up of fixed rate and variable rate borrowings are calculated as a percentage of total liabilities of the Corporation as on the date.

Notes forming part of the standalone financial statements (Continued)

44.6.2.2 **Sensitivity**

The impact of 10 bps change in interest rates on financial assets and liabilities on the Profit after tax for the year ended March 31, 2020 is ₹ **40.58 Crore** (Previous year ₹ 40.99 Crore).

44.6.3 **Price risk**

44.6.3.1 **Exposure**

The Corporation's exposure to equity securities price risk arises from investments held by the Corporation and classified in the balance sheet either as fair value through OCI or at fair value through profit or loss.

To manage its price risk arising from investments in equity securities, the Corporation diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Corporation.

Some of the Corporation's equity investments are publicly traded and are included in the NSE Nifty 50 index.

44.6.3.2 **Sensitivity**

The table below summarises the impact of increases/decreases of the index on the Corporation's equity and profit for the period. The analysis is based on the assumption that the equity index had increased by 10% or decreased by 10% with all other variables held constant, and that all the Corporation's equity instruments moved in line with the index.

₹ in Crore

Particulars	**Impact on profit before tax**		**Impact on OCI before tax**	
	March 31, 2020	**March 31, 2019**	March 31, 2020	March 31, 2019
NSE Nifty 50 – increase 10%	**19.15**	68.48	**391.61**	20.42
NSE Nifty 50 – decrease 10%	**(19.15)**	(68.48)	**(391.61)**	(20.42)

Profit for the period would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as fair value though other comprehensive income.

45. Disclosures Required by the Reserve Bank of India

The following disclosures have been given in terms of Notification no. RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020 issued by the Reserve Bank of India ('circular').

Particulars	₹ in Crore
(i) Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended, in terms of paragraph 2 and 3 of the above circular.	384.77
(ii) Respective amount where asset classification benefits is extended.	222.60
(iii) Provisions made during the quarter ended 31 March 2020 in terms of paragraph 5 of the above circular.	10.45
(iv) Provisions adjusted during the respective accounting periods against slippages and the residual provisions in terms of paragraph 6.	-
(v) Total Provision on such loans as at March 31, 2020, as per the circular	11.13
(vi) Total Provision on such loans as at March 31, 2020, as per books of accounts (ECL)	13.82

45.1 For the purpose of disclosure in point (i) in above table, the Corporation has considered the accounts, where moratorium/deferment was extended in terms of the circular and which would have moved to Substandard Assets based of days past due status as of 31 March 2020.

46. Disclosure of Penalties imposed by NHB and other regulators

During FY 2019-20, The National Housing Bank (NHB) imposed a monetary penalty of ₹ 85,000 plus GST on the Corporation for non-compliance with two provisions of the Housing Finance Companies (NHB) Directions, 2010 during the financial year 2017-18. The Corporation has paid the said penalty.

Barring the above, during FY 2019-20. there were no penalties imposed by NHB or any other regulators.

47. Events after the reporting period

There have been no events after the reporting date that require disclosure in these financial statements.

48. Approval of financial statements

The financial statements were approved by the board of directors of the Corporation on 25 May 2020.

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firms' Regst. No: 101248W/W-100022

Akeel Master
Partner
Membership No. 046768

MUMBAI, May 25, 2020

Directors

Deepak S. Parekh
Chairman
(DIN: 00009078)

Keki M. Mistry
Vice Chairman &
Chief Executive Officer
(DIN: 00008886)

Renu Sud Karnad
Managing Director
(DIN: 00008064)

J. J. Irani
(DIN: 00311104)

U. K. Sinha
(DIN: 00010336)

Bhaskar Ghosh
(DIN: 06656458)

V. Srinivasa Rangan
Executive Director &
Chief Financial Officer
(DIN: 00030248)

Nasser Munjee
(DIN: 00010180)

Jalaj Dani
(DIN: 00019080)

Ireena Vittal
(DIN: 05195656)

Ajay Agarwal
Company Secretary
(FCS: 9023)

Disclosures Required by the National Housing Bank

The following disclosures have been given in terms of Notification no. NHB.HFC.CG DIR.1/MD&CEO/2016 dated February 9, 2017 issued by the National Housing Bank. These figures are not traceable to the Financial Statements as at March 31, 2020. The differences are arising as the disclosures are made as per the regulatory requirement *vis á vis* the financial statements prepared as per Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013.

These disclosures have been certified separately by the statutory auditors of the Corporation.

1. Minimum Disclosures

The following additional disclosures have been given in terms of Notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9, 2017 issued by the National Housing Bank.

2. Summary of Significant Accounting Policies

The accounting policies regarding key areas of operations are disclosed as note 3 to the Standalone Financial Statement for the year ended 31 March 2020.

3. Disclosure:

3.1 Capital

Particulars		Current Year	Previous Year
(i)	CRAR (%)	**17.59**	19.08
(ii)	CRAR – Tier I Capital (%)	**16.44**	17.54
(iii)	CRAR – Tier II Capital (%)	**1.15**	1.54
(iv)	Amount of subordinated debt raised as Tier- II Capital	-	-
(v)	Amount raised by issue of Perpetual Debt Instruments	-	-

3.2 Reserve Fund u/s 29C of NHB Act, 1987

₹ in Crore

Particulars		Current Year	Previous Year
Balance at the beginning of the year			
a)	Statutory Reserve under Section 29C of The NHB Act	**5,027.42**	4,927.42
b)	Amount of Special Reserve under Section 36 (1)(viii) of the Income Tax Act taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act	**12,714.95**	10,864.95
		17,742.37	15,792.37
Addition / Appropriation / Withdrawal during the year			
Add :			
a)	Amount transferred under Section 29C of the NHB Act	**200.00**	100.00
b)	Amount of Special Reserve under Section 36 (1)(viii) of the Income Tax Act taken into account for the purpose of Statutory Reserve under Section 29C of the NHB Act	**3,400.00**	1,850.00
Less :			
a)	Amount appropriated from Statutory Reserve under Section 29C of the NHB Act	-	-
b)	Amount withdrawn from Special Reserve under Section 36 (1)(viii) of the Income Tax Act which has been taken into account for the purpose of provision under Section 29C of the NHB Act	-	-
		21,342.37	17,742.37

₹ in Crore

Particulars		Current Year	Previous Year
Balance at the end of the year			
a)	Statutory Reserve under Section 29C of the NHB Act	**5,227.42**	5,027.42
b)	Amount of Special Reserve under Section 36 (1)(viii) of the Income Tax Act taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act.	**16,114.95**	12,714.95
		21,342.37	17,742.37

Note: The Reserve Fund under Section 29C of the NHB Act includes all the transfers to Special Reserve No. II except for ₹ 302 Crore that was transferred to Special Reserve No. II prior to the notification of Section 29C.

3.3 Investments

₹ in Crore

Particulars			Current Year	Previous Year
1.	Value of Investments			
(i)	Gross value of Investments			
	(a)	In India	**71,471.98**	46,819.19
	(b)	Outside India	**-**	-
(ii)	Provisions for Depreciation			
	(a)	In India	**7,261.35**	1,168.63
	(b)	Outside India	**-**	-
(iii)	Net value of Investments			
	(a)	In India	**64,210.63**	45,650.56
	(b)	Outside India	**-**	-
2.	Movement of provisions held towards depreciation on investments			
(i)	Opening balance		**1,168.63**	702.59
(ii)	Add: Provisions made		**6,258.01**	535.93
(iii)	Less: Write-off / Written-back of excess provisions during the year		**(165.31)**	(69.89)
(iv)	Closing balance		**7,261.33**	1,168.63

3.4 Derivatives

Forward Rate Agreement (FRA) / Interest Rate Swap (IRS)

₹ in Crore

3.4.1

Particulars		Current Year	Previous Year
(i)	The notional principal of swap agreements	**77,850.4^**	55,650.00
(ii)	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	**3,410.60**	2,390.88
(iii)	Collateral required by the HFC upon entering into swaps	**-**	-
(iv)	Concentration of credit risk arising from the swaps *	**100%**	100%
(v)	The fair value of the swap book	**3,410.60**	2,390.88

* Concentration of credit risk arising from swap is with banks and financial institutions.
^ Includes USD IRS - Notional of USD 1,685 million converted at March 31, 2020 exchange rate.

Benchmark	Current year	Previous year	Terms
	Notional Principal (₹ in Crore)		
OIS	**64,800.00**	54,850.00	Fixed Receivable V/s Floating Payable
INBMK	**300.00**	800.00	Fixed Receivable V/s Floating Payable
	Notional Principal (USD mn)		
USD LIBOR	**1,685.00**	0.00	Fixed Payable V/s Floating Receivable

3.4.2 Exchange Traded Interest Rate (IR) Derivative

The Corporation has not entered into any exchange traded derivative.

3.4.3 Disclosures on Risk Exposure in Derivatives

A. Qualitative Disclosure

Financial Risk Management

The Corporation has to manage various risks associated with the lending business. These risks include liquidity risk, exchange risk, interest rate risk and counterparty risk.

The Financial Risk Management and Hedging Policy as approved by the Board sets limits for exposures on currency and other parameters. The Corporation manages its interest rate and currency risk in accordance with the guidelines prescribed therein.

Liquidity risk and Interest rate risks arising out of maturity mismatch of assets and liabilities are managed through regular monitoring of maturity profiles. The currency risk on the borrowings is actively managed mainly through a combination of principal only swaps, forward contracts, option contracts and dollar denominated assets. Counter party risk is reviewed periodically to ensure that exposure to various counter parties is well diversified and is within the limits fixed by the Derivative Committee.

As a part of Asset Liability Management, the Corporation has entered into interest rate swaps wherein it has converted a portion of its fixed rate rupee liabilities into floating rate linked to various benchmarks.

Constituents of Derivative Business

Financial Risk Management of the Corporation constitutes the Audit Committee, Asset Liability Committee (ALCO), Derivative Committee and the Risk management team.

The Corporation periodically monitors various counter party risk and market risk limits, within the risk architecture and processes of the Corporation.

Hedging Policy

The Corporation has a Financial Risk Management policy and Hedging policy approved by the Board of Directors. For derivative contracts designated as hedges, the Corporation documents at inception, the relationship between the hedging instrument and hedged item. Hedge effectiveness is ascertained periodically on a forward looking basis and is reviewed by the Derivative Committee at each reporting period. Hedge effectiveness is measured by the degree to which changes in the fair value or cashflows of the hedged item that are attributed to the hedged risk are offset by changes in the fair value or cashflows of the hedging instrument.

Measurement and Accounting

The IND AS applicable for derivative instruments issued by the Ministry of Corporate Affairs is effective from April 1, 2017.

All derivative contracts are recognised on the balance sheet and measured at fair value. Hedge accounting is applied to all the derivative instruments as per IND AS 109. Gain / loss arising on account of fair value changes are recognised in the Statement of Profit and Loss to the extent of ineffective portion of hedge instruments and hedged items. The gains / losses of effective portion of hedge instrument are offset against gain / losses of hedged items in Other Comprehensive Income.

The Corporation has entered into fair value hedges like interest rate swaps on fixed rate rupee liabilities as a part of the Asset Liability management whereby a portion of the fixed rate liabilities are converted to floating rate. The Corporation has a mark to market gain of ₹ 2,289 Crore on outstanding Fair value hedges.

Foreign exchange forward contracts outstanding at the Balance Sheet date, are recorded at fair value. The premium or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

The Corporation has entered into cashflow hedges to hedge currency risk on certain foreign currency loans and forward contracts to cover future interest on foreign currency borrowings. Under the cashflow hedge, the hedging instrument is measured at fair value and any gain or loss that is determined to be an effective hedge is recognized in equity i.e., Cash flow Hedge reserve. The outstanding notional of forward contracts to cover future interest on foreign currency borrowings is USD 76.76 mn.

Movements in the Cash flow hedge reserve are as follows (as per Ind AS Financials):

₹ in Crore

Particulars	Current Year	Previous Year
Opening Balance - (Debit)/Credit balance	**(222.45)**	(232.36)
Credits/(Debit) in the Cash flow reserve	**41.86**	9.91
Closing Balance	**(180.59)**	(222.45)

B. Quantitative Disclosure

₹ in Crore

Particulars			Currency Derivatives*		Interest Rate Derivatives	
			Current Year	Previous Year	**Current Year**	Previous Year
(i)	Derivatives (Notional Principal Amount)		**41,668.25**	22,761.48	**77,850.4^**	55,650.00
(ii)	Marked to Market Positions					
	(a)	Assets (+)	**3,420.76**	441.35	**2,288.52**	962.00
	(b)	Liability (-)	**(60.10)**	(164.75)	**(260.57)**	0.00
(iii)	Credit Exposure		**5,031.43**	1,740.00	**4,540.30**	2,718.84
(iv)	Unhedged Exposures		**1.42**	-	**-**	-

*Currency Derivatives includes Forward contracts, Principal Only swaps, Cross Currency Interest rate swaps.
^ Includes USD IRS - Notional of USD 1,685 million converted at March 31, 2020 exchange rate.

3.5 Securitisation

₹ in Crore

3.5.1

Particulars				Current Year No. / Amount	Previous Year No. / Amount
1.	No. of SPVs sponsored by the HFC for securitisation transactions			**2**	2
2.	Total amount of securitised assets as per books of the SPVs sponsored			**666.78**	804.23
3.	Total amount of exposures retained by the HFC towards the MRR as on the date of balance sheet				
	i.	Off-balance sheet exposures towards Credit Concentration			
		a)	Corporate Guarantee	**97.83**	97.83
	ii.	On-balance sheet exposures towards Credit Concentration			
		a)	Investment in PTC	**22.43**	27.15
4.	Amount of exposures to securitisation transactions other than MRR			**Nil**	Nil

3.5.2 Details of Financial Assets sold to Securitisation/Reconstruction Company for Asset Reconstruction

₹ in Crore

Particulars		Current Year	Previous Year
(i)	No. of accounts	**8**	6
(ii)	Aggregate value (net of provisions) of accounts sold to SC / RC	**93.65**	675.90
(iii)	Aggregate consideration	**89.00**	855.57
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	**-**	-
(v)	Aggregate gain / loss over net book value	**(4.65)**	179.67

3.5.3 Details of Assignment transactions undertaken by HFCs

₹ in Crore

Particulars		Current Year	Previous Year
(i)	No. of accounts	**1,35,322**	1,42,619
(ii)	Aggregate value (net of provisions) of accounts assigned	**24,127.23**	25,149.90
(iii)	Aggregate consideration	**24,127.23**	25,149.90
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	**Nil**	Nil
(v)	Aggregate gain / loss over net book value	**Nil**	Nil

3.5.4 Details of non-performing financial assets purchased / sold

A. Details of non-performing financial assets purchased:

₹ in Crore

Particulars			Current Year	Previous Year
1.	(a)	No. of accounts purchased during the year	**-**	-
	(b)	Aggregate outstanding	**-**	-
2.	(a)	Of these, number of accounts restructured during the year	**-**	-
	(b)	Aggregate outstanding	**-**	-

B. Details of Non-performing Financial Assets sold:

₹ in Crore

Particulars		Current Year	Previous Year
1.	No. of accounts sold	**8**	6
2.	Aggregate outstanding	**157.03**	1,396.65
3.	Aggregate consideration received	**89.00**	855.57

3.6 Assets Liability Management (Maturity pattern of certain items of Assets Liabilities)

₹ in Crore

Maturity Buckets	Liabilities			
	Deposits	Borrowings from Bank	Market Borrowing	Foreign Currency Liabilities
Up to 30/31 days (one month)	4,581.53	327.00	4,170.38	-
Over one month to 2 months	3,720.22	1,612.50	3,515.13	681.03
Over 2 to 3 months	6,418.23	4,102.57	4,595.57	221.21
Over 3 to 6 months	11,026.03	3,655.36	9,333.05	5,434.10
Over 6 months to 1 year	18,187.72	6,445.22	11,625.84	3,270.07
Over 1 to 3 years	45,937.38	23,806.25	57,029.79	11,403.39
Over 3 to 5 years	27,970.66	14,942.20	31,334.83	12,840.19
Over 5 to 7 years	14,482.53	12,684.38	27,750.38	3,283.39
Over 7 to 10 years	-	199.77	32,513.75	-
Over 10 years	-	-	-	-
Total	**1,32,324.30**	**67,775.26**	**1,81,868.71**	**37,133.38**

₹ in Crore

Maturity Buckets	Assets		
	Advances	Investments	Foreign Currency Assets
Up to 30/31 days (one month)	7,287.75	3,700.03	-
Over one month to 2 months	7,313.24	2,020.07	-
Over 2 to 3 months	5,202.64	9,647.69	-
Over 3 to 6 months	15,933.14	8,000.00	-
Over 6 months to 1 year	33,302.36	19,336.73	-
Over 1 to 3 years	1,25,656.01	919.69	-
Over 3 to 5 years	88,682.32	15,953.26	-
Over 5 to 7 years	56,814.69	454.04	-
Over 7 to 10 years	60,543.89	670.58	-
Over 10 years	50,166.73	4,242.28	-
Total	**4,50,902.76**	**64,944.37**	**-**

3.7 Exposure

3.7.1 Exposure to Real Estate Sector

₹ in Crore

Category				Current Year	Previous Year
a)	**Direct Exposure**				
	(i)	**Residential Mortgages**			
		Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented. Individual Housing Loans upto ₹ 15 Lacs: ₹ **31,237.55 Crore** (Previous Year ₹ 28,411.04 Crore).		**3,04,651.94**	2,69,381.41
	(ii)	**Commercial Real Estate**			
		Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits.		**1,04,366.57**	1,05,076.43
	(iii)	**Investments in Mortgage Backed Securities (MBS) and other securitised exposures**			
		a)	Residential	**22.43**	27.15
		b)	Commercial Real Estate	**-**	-
b)	**Indirect Exposure**				
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).			**1,352.69**	127.86

In computing the above information, certain estimates, assumptions and adjustments have been made by the Management which have been relied upon by the auditors.

3.7.2 Exposure to Capital Market

₹ in Crore

Particulars		Current Year	Previous Year
(i)	direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	**2,206.06**	930.34
(ii)	advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures and units of equity-oriented mutual funds;	**36.10**	64.63
(iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	**-**	-
(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	**-**	-
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	**114.26**	112.53
(vi)	loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	**19,408.66**	9,658.36
(vii)	bridge loans to companies against expected equity flows/issues;	**-**	-
(viii)	All exposures to Venture Capital Funds (both registered and unregistered)	**1,833.35**	1,593.41
	Total Exposure to Capital Market	**23,598.43**	**12,359.27**

3.7.3 Details of financing of parent company products

These details are not applicable since the Corporation is not a subsidiary of any company.

3.7.4 Details of Single Borrower Limit (SGL)/Group Borrower Limit (GBL) exceeded by the HFC

The Corporation has not exceeded Single Borrower Limit (SGL)/Group Borrower Limit (GBL) during the financial year.

3.7.5 Advances against Intangible Collateral

₹ in Crore

Particulars		Advances against Intangible Collateral	Value of such Intangible Collateral
(i)	Corporate Loans	**4,421.65**	3,042.14
(ii)	Project Loans	**7,722.48**	12,249.55
(iii)	Deposits	**152.00**	152.00
Total		**12,296.13**	**15,443.69**

4. Miscellaneous

4.1 Registration obtained from other financial sector regulators

Regulator	Registration No.
Securities and Exchange Board of India:	INR000003159
As share transfer agent in Category II	

Note: The Corporation has surrendered its registration as a Corporate Agent (Composite) with Insurance Regulatory and Development Authority of India (IRDAI). The said surrender was accepted by IRDAI vide its letter dated May 7, 2019.

4.2 Disclosure of Penalties imposed by NHB and other regulators

During FY 2019-20, The National Housing Bank (NHB) imposed a monetary penalty of ₹ 85,000 plus GST on the Corporation for non-compliance with two provisions of the Housing Finance Companies (NHB) Directions, 2010 during the financial year 2017-18. The Corporation has paid the said penalty.

Barring the above, during FY 2019-20. there were no penalties imposed by NHB or any other regulators.

4.3 Related party Transactions

Details of all material transactions with related parties are disclosed in note 43.

4.4 Rating assigned by Credit Rating Agencies and migration of rating during the year

Instrument	Rating Agency	Ratings Assigned
Deposits	ICRA Limited	MAAA/ Stable
	CRISIL Limited	FAAA/ Stable
Bonds/ Non-Convertible Debentures	ICRA Limited	ICRA AAA/ Stable
	CRISIL Limited	CRISIL AAA/ Stable
Non-Convertible Debentures with Warrants	ICRA Limited	ICRA AAA/ Stable
	CRISIL Limited	CRISIL AAA/ Stable
Subordinated Debt	ICRA Limited	ICRA AAA/ Stable
	CRISIL Limited	CRISIL AAA/ Stable
Short Term Debt	ICRA Limited	ICRA A1+
	CRISIL Limited	CRISIL A1+
	CARE Ratings Limited	CARE A1+
Long Term Bank Facilities	CARE Ratings Limited	CARE AAA/ Stable
Short Term Bank Facilities		CARE A1+
Long Term Bank Facilities	ICRA Limited	ICRA AAA/ Stable
Short Term Bank Facilities		ICRA A1+

Note: The Corporation has been assigned the highest ratings in all the above-mentioned instruments.
There were no changes in any of the ratings or outlook during the year.

4.5 Remuneration of Directors

Details of Remuneration of Directors are disclosed in Form No. MGT - 9.

4.6 Management

Refer to the Management Discussion and Analysis report for the relevant disclosures.

4.7 Net Profit or Loss for the period, prior period items and changes in accounting policies

There are no prior period items that have impact on the current year's profit and loss.

4.8 Revenue Recognition

There have been no instances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

4.9 Accounting Standard 21 – Consolidated Financial Statements (CFS)

Refer to the Consolidated Financial Statements for the relevant disclosures.

5. Additional Disclosures

5.1 Provisions and Contingencies

₹ in Crore

	Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account	Current Year	Previous Year
1.	Provisions for depreciation on Investment & Properties	**6,092.70**	466.04
2.	Provision towards NPA	**863.75**	245.89
3.	Provision for Standard Assets* (with details like teaser loan, CRE, CRE-RH etc.)	**104.73**	217.77
4.	Other Provisions and Contingencies	**-**	-
5.	Total Debit to Statement of Profit and Loss as required by NHB**	**7,061.18**	929.70
6.	Provision made towards Income tax	**3,243.02**	3,529.71

* Provision for Standard Assets includes CRE - RH of ₹ (24.57) Crore (Previous Year ₹ (10.11) Crore), CRE - Non RH of ₹ 27.78 Crore (Previous Year ₹ 111.37 Crore) and Non CRE of ₹ 101.52 Crore (Previous Year ₹ 116.51 Crore).

** Actual provision carried in the Balance sheet is more than adequate to cover the provision required under Prudential Norms.

₹ in Crore

Break up of Loan & Advances and Provisions thereon		Housing		Non-Housing	
		Current Year	Previous Year	Current Year	Previous Year
Standard Assets					
a)	Total Outstanding Amount	**2,96,048.86**	2,67,240.36	**1,44,901.88**	1,34,989.76
b)	Provisions made	**942.88**	893.99	**978.05**	922.21
Sub-Standard Assets					
a)	Total Outstanding Amount	**2,715.67**	2,308.68	**3,099.31**	531.71
b)	Provisions made	**407.35**	346.30	**464.90**	79.76
Doubtful Assets – Category-I					
a)	Total Outstanding Amount	**1,713.69**	456.76	**214.98**	470.49
b)	Provisions made	**460.04**	123.16	**59.39**	118.91
Doubtful Assets – Category-II					
a)	Total Outstanding Amount	**295.81**	199.15	**227.06**	363.42
b)	Provisions made	**131.58**	84.58	**94.48**	145.74
Doubtful Assets – Category-III					
a)	Total Outstanding Amount	**246.15**	115.33	**107.05**	14.62
b)	Provisions made	**246.15**	115.33	**107.05**	14.62
Loss Assets*					
a)	Total Outstanding Amount	**256.89**	171.68	**39.25**	203.25
b)	Provisions made	**256.89**	171.68	**39.25**	203.25
Total					
a)	**Total Outstanding Amount**	**3,01,277.09**	**2,70,491.96**	**1,48,589.54**	**1,36,573.25**
b)	**Provisions made (A)**	**2,444.89**	**1,735.05**	**1,743.12**	**1,484.49**
	Additional Provision towards identified assets (B)	**-**	-		-
	Total Provision made (A+B)	**2,444.89**	1,735.05	**1,743.12**	1,484.49

* Loss assets include amount of ₹ 42.35 Crore (Previous Year ₹ 37.19 Crore) related to fraud.

As per Reserve Bank of India circular RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020, HFC's are required to create provision of 5% if the asset classification benefits is extended in terms of paragraph 5 in the circular. Accordingly, in addition to above provision, the Corporation has made provision of ₹ 10.45 Crore (Housing - ₹ 6.78 Crore & Non-Housing - ₹ 3.67 Crore) wherein the asset classification benefits were extended.

Note: ECL Provision held by the Corporation is ₹ 10,959.48 Crore as on 31 March 2020 (Previous Year ₹ 5,847.43 Crore).

5.2 Draw Down from Reserves

During FY 2019-20, there were no draw down from Reserves.

5.3 Concentration of Public Deposits, Advances, Exposures and NPAs

5.3.1 Concentration of Public Deposits

₹ in Crore

Particulars	Current Year	Previous Year
Total Deposits of twenty largest depositors	**6,996.22**	6,479.49
Percentage of Deposits of twenty largest depositors to Total Deposits of the Corporation	**7.84%**	8.49%

5.3.2 Concentration of Loans & Advances

₹ in Crore

Particulars	Current Year	Previous Year
Total Loans & Advances to twenty largest borrowers	**55,451.24**	43,051.80
Percentage of Loans & Advances to twenty largest borrowers to Total Advances of the Corporation	**12.45%**	10.69%

5.3.3 Concentration of all Exposure (including off-balance sheet exposure)

₹ in Crore

Particulars	Current Year	Previous Year
Total Exposure to twenty largest borrowers / customers	**55,451.24**	43,051.80
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the HFC on borrowers / customers	**12.44%**	10.68%

5.3.4 Concentration of NPAs

₹ in Crore

Particulars	Current Year	Previous Year
Total Exposure to top ten NPA accounts	**4,249.80**	2,154.72

5.3.5 Sector-wise NPAs

Sl. No.	Sector	Percentage of NPA to Total Advances in that Sector
A.	**Housing Loans:**	
1	Individual	0.85%
2	Builder/Project Loans	8.77%
3	Corporates	20.68%
B.	**Non-Housing Loans:**	
1	Individual	1.45%
2	Builder/Project Loans	0.22%
3	Corporates	8.29%

5.4 Movement of NPAs

₹ in Crore

Particulars			Current Year	Previous Year
(I)	Net NPAs to Net Advances (%)		**1.49%**	0.84%
(II)	Movement of NPAs (Gross)			
	a)	Opening balance	**4,835.08**	4,077.25
	b)	Additions during the year	**5,803.69**	2,991.37
	c)	Reductions during the year	**1,722.89**	2,233.54
	d)	Closing balance	**8,915.88**	4,835.08
(III)	Movement of Net NPAs			
	a)	Opening balance	**3,431.76**	2,919.81
	b)	Additions during the year	**4,869.78**	2,421.07
	c)	Reductions during the year	**1,652.73**	1,909.12
	d)	Closing balance	**6,648.81**	3,431.76
(IV)	Movement of provisions for NPAs (excluding provisions on standard assets)			
	a)	Opening balance	**1,403.30**	1,157.43
	b)	Additions during the year	**933.92**	570.31
	c)	Reductions during the year	**70.16**	324.44
	d)	Closing balance	**2,267.05**	1,403.30

5.5 Overseas Assets

₹ in Crore

Particulars	Current Year	Previous Year
Bank Balances	**1.16**	0.69
Fixed assets	**0.30**	0.07
Advances and Prepaid expenses	**1.37**	1.12

5.6 Off-balance Sheet SPVs sponsored
(which are required to be consolidated as per accounting Norms)

Name of the SPV sponsored	
Domestic	**Overseas**
HDFC Investment Trust	NA
HDFC Investment Trust II	NA

6. Disclosure of Complaints

6.1 Customer Complaints

Particulars		Current Year	Previous Year
a)	No. of complaints pending at the beginning of the year	**25**	156
b)	No. of complaints received during the year	**25,446**	23,596
c)	No. of complaints redressed during the year	**25,447**	23,727
d)	No. of complaints pending at the end of the year	**24**	25

Note: From financial year 2019-2020 we have discontinued inclusion of Credit Linked Subsidy Scheme complaints and hence numbers are not comparable with previous year.

Form AOC - I

Pursuant to first proviso to sub-section (3) of Section 129 read with rule 5 of Companies (Accounts) Rules, 2014
Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A" : Subsidiaries

(As on / for the period / year ended March 31, 2020)

₹ in Crore

Sl. No.	Name of the Subsidiary Company	Reporting Currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investments included in Total Assets	Total Income	Profit / (Loss) before Taxation	Provision for Taxation	Profit / (Loss) after Taxation	Proposed Dividend	% of Shareholding
1	HDFC Life Insurance Company Limited	INR	-	2,024.39	4,775.53	*1,32,162.38	*1,25,362.46	#1,27,226.17	29,717.80	1,311.74	16.48	1,295.26	-	51.46
2	HDFC Asset Management Co. Ltd.	INR	-	106.40	3,922.86	4,308.60	279.34	3,944.51	2,143.43	1,653.05	390.64	1,262.41	-	52.72
3	HDFC Trustee Co. Ltd.	INR	-	0.10	1.81	2.15	0.24	1.17	2.51	0.76	0.19	0.57	-	100.00
4	HDFC ERGO General Insurance Co. Ltd.	INR	-	605.84	1,752.79	14,766.50	12,407.87	11,501.79	5,255.60	611.79	164.08	447.71	-	50.48
5	HDFC ERGO Health Insurance Ltd. (Formerly known as Apollo Munich Health Insurance Co. Ltd)	INR	-	405.67	201.36	2,349.03	1,742.00	1,890.21	2,182.13	(168.17)	-	(168.17)		51.16
6	HDFC Venture Capital Ltd.	INR	-	0.50	0.20	6.68	5.98	-	-	(1.13)	-	(1.13)	-	80.50
7	HDFC Ventures Trustee Co. Ltd.	INR	-	0.05	1.17	1.25	0.03	0.97	0.15	0.08	0.01	0.07	-	100.00
8	HDFC Property Venture Ltd.	INR	-	1.00	1.87	109.85	106.98	19.77	36.86	(2.72)	1.34	(4.06)	-	100.00
9	HDFC Investments Ltd.	INR	-	26.67	490.63	518.03	0.73	504.80	318.49	317.88	4.35	313.53	-	100.00
10	HDFC Holdings Ltd.	INR	-	1.80	205.55	211.72	4.37	209.92	5.37	4.88	0.99	3.89	-	100.00
11	HDFC Sales Pvt. Ltd.	INR	-	67.00	(32.81)	186.58	152.39	-	507.67	(15.80)	-	(15.80)	-	100.00
12	HDFC Credila Financial Services Pvt. Ltd.	INR	-	131.80	854.66	7,001.14	6,014.68	310.73	726.58	169.27	46.16	123.11	-	100.00
13	HDFC Pension Management Co. Ltd.	INR	-	28.00	(2.10)	33.63	7.73	24.87	3.52	(0.76)	-	(0.76)	-	51.46
14	HDFC Education and Development Services Pvt. Ltd.	INR	-	154.00	(20.64)	137.61	4.25	-	7.41	(0.11)	-	(0.11)	-	100.00
15	Griha Investments	USD	75.58	0.20	105.26	105.92	0.46	-	1.61	(21.68)	-	(21.68)	-	100.00
16	Griha Pte. Ltd.	SGD	52.95	5.21	51.81	60.09	3.07	-	18.73	12.79	1.71	11.08	-	100.00
17	HDFC Capital Advisors Ltd	INR	-	2.00	50.73	60.64	7.91	51.75	61.55	34.90	8.75	26.15	-	100.00
18	HDFC International Life And Re Company Limited	USD	75.58	208.71	8.42	281.92	64.79	231.98	58.37	2.91	-	2.91	-	51.46

Note:

* Includes Investments of Shareholders', Policyholders' and Assets held to cover Linked Liability

\# Includes Net Premium Income, Investment Income and other Income

Part "B" : Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

(As on / for the period / year ended March 31, 2020)

Name of Associates/Joint Ventures	**HDFC Bank Limited**	**True North Ventures Pvt. Ltd.**	**Good Host Spaces Pvt. Ltd.**	**Magnum Foundations Pvt. Ltd.**
Latest audited Balance Sheet Date	March 31, 2020	March 31, 2020	March 31, 2020	March 31, 2019
Shares of Associate/Joint Ventures held by Corporation and its subsidiaries of the year end				
Number	58,23,12,917	9,75,002	47,75,241	5,00,000
Amount of investment in Associates/Joint Venture (₹ in Crore)	14,123.09	0.03	156.46	23.25
Extend of Holding %	21.24	21.51	25.01	50.00
Description of how there is significant influence	%age holding more than 20%	%age holding more than 20%	%age holding more than 20%	%age holding more than 20%
Reason why associate/Joint venture is not consolidated	NA	NA	NA	The same is accounted as Fair Value through Profit and Loss
Networth attributable to Shareholding as per latest audited Balance Sheet (₹ in Crore)	48,712.74	1.62	154.17	-
Consolidate Profit/Loss for the year (₹ in Crore)	27,253.96	0.76	(1.76)	-
Considered in Consolidation (₹ in Crore)*	5,582.62	0.16	(0.44)	-
Not Considered in Consolidation (₹ in Crore)	21,671.34	0.60	(1.32)	-

* Excluding dilution gain

Consolidated FINANCIAL STATEMENTS

- Independent Auditors' Report
- Consolidated Balance Sheet
- Consolidated Statement of Profit & Loss
- Consolidated Statement of Changes in Equity
- Consolidated Statement of Cash Flows
- Notes to Consolidated Financial Statements

Independent Auditors' Report

TO THE MEMBERS OF
HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Housing Development Finance Corporation Limited (hereinafter referred to as the "Holding Company" or the "Corporation") and its subsidiaries (Holding Company and its subsidiaries together referred to as the "Group") and its associates, which comprise the consolidated balance sheet as at 31 March 2020, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors on separate financial statements of such subsidiaries and associates as were audited by the other auditors, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associates as at 31 March 2020, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group and its associates in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in terms of the Code of Ethics issued by the Institute of Chartered Accountants of India and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub paragraph (a) of the "Other Matters" paragraph below, is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

Emphasis of matter

As described in Note 8.3 to the consolidated financial statements, in accordance with Reserve Bank of India COVID-19 Regulatory Package, ageing of accounts opting for moratorium offered by the Corporation and moving into Stage 3 (based on days past due status as of 31 March 2020) has been determined with reference to position as of 29 February 2020.

As described in Note 3.35 to the consolidated financial statements and as highlighted wherever by respective auditors in their reports relating to the subsidiaries and associates of the Corporation, the extent to which the COVID-19 pandemic will impact the financial performance of the Group and its associates is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of the above matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

A. Key Audit Matters for Holding Company

Key audit matter	How the matter was addressed in our audit
Impairment of loans and advances to customers Refer to the accounting policies in Note 3.2.3 to the consolidated financial statements: Impairment; Note 2.4.1 to the consolidated financial statements: use of estimates and judgements – determination of Expected Credit Loss and Note 8 to the consolidated financial statements: Loans	
Recognition and measurement of impairment of loans and advances involve significant management judgement. Under Ind AS 109, Financial Instruments, allowance for loan losses are determined using expected credit loss (ECL) model. The Corporation's impairment allowance is derived from estimates including the historical default and loss ratios. Corporation exercises judgement in determining the quantum of loss based on a range of factors. The most significant areas are: - Segmentation of loan book - Determination of exposure at default - Loan staging criteria - Calculation of probability of default / Loss given default - Consideration of probability weighted scenarios and forward looking macro-economic factors The application of ECL model requires several data inputs. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model.	**We performed audit procedures set out below:** **Design / controls** • Evaluated appropriateness of the impairment principles used by Corporation's based on the requirements of Ind AS 109, our business understanding and industry practice; • Assessed the design and implementation of key internal financial controls over loan impairment process used to calculate the impairment charge; • Understood Corporation's revised processes, systems and controls implemented in relation to impairment allowance process, particularly in view of COVID-19 regulatory package; • Evaluated Corporation's controls over collation of relevant information used for determining estimates for management overlays on account of COVID-19; and • Tested review controls over measurement of impairment allowances and disclosures in financial statements.
Impact of COVID-19	**Substantive tests**
On 11 March 2020, the World Health Organisation declared the Novel Coronavirus (COVID-19) outbreak to be a pandemic. We have identified the impact of, and uncertainty related to the COVID-19 pandemic as a key element and consideration for recognition and measurement of impairment of loans and advances on account of: - short and long term macroeconomic effect on businesses in the country and globally and its consequential and cascading negative impact on revenue and employment generation opportunities; - impact of the pandemic on the Corporation's customers and their ability to repay dues; and - application of regulatory package announced by the Reserve Bank of India (RBI) on asset classification and provisioning.	• Focused on appropriate application of accounting principles, validating completeness and accuracy of the data and reasonableness of assumptions used in the model; • Test of details over calculation of impairment allowance for assessing the completeness, accuracy and relevance of data; • Model calculations testing through re-performance where possible; • The appropriateness of Corporation's judgement was also independently reconsidered in respect of calculation methodologies, segmentation, economic factors, the period of historical loss rates used and the valuation of recovery assets and collateral; Test checked the basis of collateral valuation in the determination of ECL provision;

Key audit matter	How the matter was addressed in our audit
Corporation has conducted a qualitative assessment of impact on the credit risk of the loan portfolio with respect to the moratorium benefit to borrowers prescribed by the RBI and considered management overlays to reflect potential impact of COVID-19 on expected credit losses on its loan portfolio.	• Used specialists to test the model methodology and reasonableness of assumptions used including management overlays; • Assessed the appropriateness of changes made in management overlays to calibrate the risks that are not yet fully captured by the existing model; • Assessed the appropriateness of Corporation's rationale for determination of criteria for significant increase in credit risk considering both: adverse effects of COVID-19 and mitigants in the form of the RBI / Government financial relief package; • Corroborated through independent check and enquiries the reasonableness of Corporation's assessment of grading the severity of impact of COVID-19 on segments of its loan portfolio and the resultant impairment provision computed; and • Assessing the factual accuracy and appropriateness of the additional financial statements disclosures made by the Corporation regarding impact of COVID-19.
Valuation of Derivatives Instruments and Hedge Accounting Refer to the accounting policies in Note 3.2.8 to the consolidated financial statements: Derivative financial instruments; Note 7 to the consolidated financial statements: Derivative financial instruments and Note 49.1.6.a to the consolidated financial statements– Foreign currency risk	
The Corporation enters into derivative contracts in order to manage and hedge risks such as foreign exchange rate risk and interest rate risk on the borrowings. The Corporation either enters into cash flow hedges or fair value hedges depending on the risk being hedged. The application of hedge accounting and evaluating hedge effectiveness is complex and operationally cumbersome and requires close monitoring from Corporation's management.	**We performed audit procedures set out below** **Design / controls** • Obtained an understanding of the risk management policies and tested key controls (i) at the time of designation of hedging relationship including authorisation by designated authority; documentation prepared by Corporation at the inception of the hedge transaction; (ii) with regard to ongoing monitoring and review of the hedge relationship by Corporation including test of hedge effectiveness.
	Substantive tests • Checked the recognition and measurement of derivative instruments, for selected samples, is as per Ind AS 109; • Examined hedge documentation on a sample basis to assess the compliance of documentation with Ind AS 109 requirements; • Test checked on a sample basis reconciliation of derivative instruments to independent confirmations obtained from third party;

Key audit matter	How the matter was addressed in our audit
	• Involved specialists to perform independent valuation and compared with valuation provided by the Corporation; • Compared input data used in the Corporation's valuation models to independent sources on a sample basis; • Test checked on a sample basis the applicability and accuracy of hedge accounting; • Considered the appropriateness of disclosures in relation to financial risk management, derivative instruments and hedge accounting in the consolidated financial statements.
Valuation of Investments (other than investments in subsidiaries and associates)	
Refer to the accounting policies in Note 3.2 to the consolidated financial statements: Financial instruments; Note 2.4.2 to the consolidated financial statements: Use of estimates and judgements - fair valuation of investment (other than investment in Subsidiaries and Associates); and Note 10 to the consolidated financial statements: Investments	
Subjective estimate Investments carried at fair value comprise: - Fair value through profit and loss (FVTPL) investments - ₹ 25,725 crore - Fair value through other comprehensive income (FVOCI) investments - ₹ 5,054 crore The effect of fair value adjustments may impact either the profit or loss or other comprehensive income. The valuation of investments measured at fair value entails significant management estimates and is based on a combination of observable market data and / or valuation techniques which are often based on unobservable inputs. We identified determination of fair value of investments as a key audit matter because of the degree of subjectivity and judgement exercised by Corporation's management in determining the inputs used in the valuation techniques and methodologies.	**We performed audit procedures set out below** **Design / controls** • Test checked the design, implementation and operating effectiveness of Corporation's key internal controls over the valuation process and inputs. **Substantive tests** • Read the investment agreements on a sample basis, to understand the relevant investment terms and identify any conditions relevant to the classification and valuation of investments; • Assessed the appropriateness of the valuation methodology and test key inputs used such as pricing inputs and discount factors; • Checked valuation methodology was consistently followed and evaluated any change in valuation technique; • Involved specialists to test the model methodology, reasonableness of assumptions and test key inputs used such as pricing inputs and discount factors; • Assessed the disclosures as required under prevailing accounting standards reflect the Corporation's exposure to investment valuation risk; • Evaluated the reliability of inputs i.e. market observable / unobservable data to determine fair value of investments and checked the appropriateness of disclosures in accordance with Ind AS 107 on 'Financial Instruments: Disclosures'.

Key audit matter	How the matter was addressed in our audit
Purchase Price Allocation ("PPA") Refer to the accounting policies in Note 2.7 to the consolidated financial statements	
Subjective estimate During the year ended 31 March 2020, the Holding Company made an acquisition of 51.16% stake in a Company for a consideration of ₹ 1,495.81 crores as detailed in Note 50.1 of the consolidated financial statements. As required under Ind AS 103 Business Combinations, the assets and liabilities acquired were recognized at fair value on the date of acquisition. Goodwill has been determined as a difference between the purchase consideration and fair value of net assets acquired (net of related tax impact) and adjusted for the share of non controlling interest. To determine the fair values of individual assets acquired such as distribution networks, customer relationships, non-compete agreement, complex valuation models based on assumptions were used. This measurement involves significant judgement while determining estimates of future cash flows as well as the cost of capital applied. We identified determination of PPA as a key audit matter because of the degree of subjectivity and judgement exercised by Corporation's management on account of the underlying complexity of the valuation models.	With respect to the accounting for the acquisition, we: • Read purchase/ sale agreements and obtained an understanding of the deal structure. • Evaluated the accounting treatment is in accordance with Ind AS 103 Business Combinations. • Interpreted specific sections of the agreements and the application of accounting policies thereon. • Involved internal valuation specialists to assess the appropriateness of the methodology applied by the Corporation in determining the fair valuation of assets and liabilities acquired. • Verified the computation of goodwill with reference to the opening balance sheet, audited by independent auditors of the acquiree and other intangibles identified and valued by the Corporation. Verified the related adjustments to the consolidated financial statements in relation to the acquisition.
Information Technology ('IT') **IT systems and controls** The Corporation's key financial accounting and reporting processes are highly dependent on information systems including automated controls in information systems, such that there exists a risk that, gaps in the IT control environment could result in the financial accounting and reporting records being misstated. The Corporation uses several systems for it's overall financial reporting. We identified 'IT systems and controls' as key audit matter because of the high level of automation, significant number of systems being used by management and the scale and complexity of the IT architecture.	• Understood General IT Control i.e. access controls, program/ system change, program development, computer operations (i.e. job processing, data/ system backup incident management) over key financial accounting and reporting systems, and supporting control systems (referred to as in-scope systems); • Understood IT infrastructure i.e. operating systems and databases supporting the in-scope systems; • Test checked the General IT Controls for design and operating effectiveness for the audit period over the in-scope systems; • Understood IT application controls covering – user access and roles, segregation of duties, and – key interfaces and reports.

Key audit matter	How the matter was addressed in our audit
	• Test checked the IT application controls for design and operating effectiveness for the audit period; • Performed testing to determine that IT application controls that underwent changes, followed the standard change management process; • Test checked controls over the IT infrastructure covering user access (including privilege users), data center.

B. Key Audit Matters of Subsidiary Company - HDFC Life Insurance Company Limited ('HDFC Life') as provided by the auditor of HDFC Life

Key audit matter	How the matter was addressed in our audit
Appropriateness of the Timing of Revenue Recognition in the proper period	
During the year, HDFC Life has recognised premium revenue of ₹ 17,238 crores towards new business (first year premium and single premium). Out of the total revenue recognised, ₹ 5,089 crores was recognised during the last quarter. The auditor of HDFC Life focused on this area because of the significant concentration of revenue during the last quarter of financial year (including cut-off at the Balance sheet date). Due to the nature of the industry, revenue is skewed towards the balance sheet date. Hence, there is possibility that policy sales of the next financial year are accounted in the current period.	**During the course of their audit, the auditor of HDFC Life performed the following procedures:** • Understood and evaluated the design and operating effectiveness of process and controls relating to recognition of revenue. • Tested key controls for ensuring that the revenue has been accrued in the correct accounting period. • Tested on a sample basis the policies at the year end to confirm if related procedural compliances with regard to acceptability of the terms of policy were completed before or after the year end to ensure appropriate accounting of revenue. • Relied on the certificate of HDFC Life's management with respect to cheques on hand as at March 31, 2020. • Tested on a sample basis unallocated premium to ensure that there were no policies where risk commenced prior to balance sheet but revenue was not recognized. • Tested the manual accounting journals relating to revenue on a sample basis so as to identify unusual or irregular items. Agreed the journals tested to corroborative evidence. • Tested on a sample basis cash receipt with the time stamp in case of products like Unit Linked Insurance Plan to confirm the recognition of the revenue in correct accounting period.
Contingencies relating to certain matters pertaining to service tax and income tax	
HDFC Life has received various demands and show cause notices (mostly industry specific) from the tax authorities in respect of matters including service tax and income tax.	**During the course of their audit, the auditor of HDFC Life performed the following procedures:** • Understood HDFC Life's process and control for determining tax litigations and its appropriate accounting and disclosure.

Key audit matter	How the matter was addressed in our audit
For service tax, the matters were mainly towards applicability of service tax on Lapse charges, recovery of agency processing fees, backdating alteration charges, recoveries on look in, policy reinstatement fees, policy fees, etc. and on income tax it is mainly towards applicability of correct section of TDS with regard to certain payments. The HDFC Life management with the help of its expert, as needed, have made judgements relating to the likelihood of an obligation arising and whether there is a need to recognize a provision or disclose a contingent liability. We therefore focused on this area as a result of uncertainty and potential material impact.	• Testing key controls surrounding tax. • Litigations. • Where relevant, reading external legal opinions obtained by HDFC Life. • Assessed HDFC Life's conclusions which included involvement of auditors' independent tax experts, as applicable, to gain an understanding of the current status of the tax cases and monitoring of changes in disputes to establish that the tax provisions reflects the latest external developments. • Discussed pending matters with the HDFC Life's legal counsel and independent HDFC Life appointed tax experts.

C. Key Audit Matter of Subsidiary Company - HDFC Ergo General Insurance Company Limited ('HDFC Ergo') as provided by the auditor of HDFC Ergo

Key audit matter	How the matter was addressed in our audit
Valuation of Investments:	
Subjective estimate • The carrying value of Investments amounting to ₹ 11,860.97 (₹ in Crores) (Policy holders and Shareholders) represent 62.46% of total assets as disclosed in the financial statement. • Due to the nature of the asset and the amount involved, the regulatory prescriptions applicable to recognition, measurement and disclosure of Investments and the assumptions adopted by HDFC Ergo's management as per Ind AS 109 in the classification and valuation of Investments, (Schedule (E) to special purpose financial statements) is considered as a key audit matter. • The valuation of all investments should be as per provisions of Ind AS 109 and the classification as determined by the HDFC Ergo. • HDFC Ergo has *inter alia* a policy framework for Valuation and impairment of Investments • The valuation of unquoted investments and thinly traded investments continues to be an area of inherent risk because of market volatility, unavailability of reliable prices and macroeconomic uncertainty. • HDFC Ergo performs an impairment review of its investments periodically and recognizes impairment charge when the investments meet the trigger/s for impairment provision as per the criteria set out in the investment policy of HDFC Ergo. Further, the assessment of impairment involves significant management judgement.	**During the course of their audit, the auditor of HDFC ERGO performed the following procedures:** • Tested the HDFC Ergo's management oversight and controls over valuation of investments. • Independently test-checked valuation of unquoted investments, on a sample basis. • Reviewed and assessed the adequacy with respect to HDFC Ergo's assessment of impairment charge on investments outstanding at the year end. Reviewed the Fair Value with respect to specific investments. • Reviewed the basis of provisions accounted in respect of non-performing investments and ensured that the provision meets the IRDAI guidelines and Ind AS 109. • Reviewed the compliance with the IRDAI guidelines on recording of Income on non performing investments. • Reviewed the adjustments required to be carried based on the subsidiary records maintained for the purpose of Ind AS Adjustments.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Provision for bad & doubtful debts relating to receivables from other insurance companies (Including Government Receivables), outstanding premium and agent balances:</td></tr>
<tr><td>
• “Dues from Other entities carrying on insurance business” is ₹ 140.26 (₹ in Crores) as at the year end. During the year HDFC ERGO has written off ₹ 1.36 (₹ in Crores) net of reversals of ₹ 3.01 (₹ in Crores) of earlier years being amounts due from other insurance companies. These amounts have been accounted under Profit and Loss Account.
• “Outstanding premium” amounting to ₹ 1,448.27 (₹ in Crores) (Schedule (E2) to special purpose financial statements) includes premium due from Central Government, State Government and others. This amount includes outstanding premium accounted in accordance with IRDAI Circular No. IRDAI/NL/CIR /MOT/079/04/2020 dated April 2, 2020 (further clarified by IRDAI circular No. IRDAI/NL/CIR/MOT/081/04/ 2020 dated April 3, 2020) on the Motor third party liability is ₹ 42.13 (₹ in Crores).
• Outstanding “Agent balances” as at the year end amounted to ₹ 0.03 (₹ in Crores).
• Due to the significance of the amount and judgement involved in assessing the recoverability of dues, this has been considered as key audit matter.
</td><td>
During the course of their audit, the auditor of HDFC ERGO performed the following procedures:
• Reviewed the historical provision for bad debts and compared it to the actual amounts written off, to determine whether management’s estimates have been prudent and reasonable.
Audit procedure included the following:
• Evaluated and tested controls over the recording, monitoring and ageing of outstanding premium, dues from other insurance companies.
• Evaluated the adequacy of the process of reconciliation followed by HDFC Ergo with respect to amounts due from other insurance Companies.
• Sent out direct confirmations of balances to select parties on a test check basis as required under “SA 505-External Confirmations”.
• Discussed with HDFC ERGO management and reviewed correspondences, where relevant, to identify disputes, if any, on any of the recoverable balances and reviewed the assessment of the HDFC ERGO management as to the requirement of provisioning if any on these disputed dues.
• Reviewed the accounting entries recorded for policy holders whose motor vehicle third party insurance policies fall due for renewal during the period on and from the March 25, 2020 up to March 31, 2020 to ensure that the premium has been considered for motor vehicle third party insurance policies as per the IRDAI guidance.
</td></tr>
<tr><td colspan="2">Provisions and contingent liabilities:</td></tr>
<tr><td>
• As of March 31, 2020 HDFC ERGO has disclosed pending litigations arising out of matters relating to Service tax as contingent liabilities of ₹ 27.04 crores and Claims, other than those under policies, not acknowledged as debts as ₹ 0.16 crores. In addition HDFC Ergo has pending litigations arising out of matters relating to Service Tax ₹ 174.23 crores.
• The assessment of the existence of the present legal obligation, analysis of the probability of the related payment and analysis of a reliable estimate, requires management’s judgement to ensure appropriate accounting or disclosures.
</td><td>
During the course of their audit, the auditor of HDFC ERGO performed the following procedures:
• As part of audit procedures have assessed HDFC Ergo’s processes to identify new possible obligations and changes in existing obligations for compliance with the requirements of Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets.
The audit procedures performed included the following:
• Obtained listing from HDFC Ergo of the changes in litigation status as compared to prior year and obtained a detailed understanding of the disputes and also reviewed
</td></tr>
</table>

Key audit matter	How the matter was addressed in our audit
	the analysis made by HDFC Ergo and assumptions used by them on how they concluded as required under Ind AS 37. • Wherever HDFC Ergo had obtained external legal advice, the same were reviewed to gain an understanding of the HDFC Ergo management's view on the matters. • Used internal tax experts to gain an understanding of these disputes and also obtained their views on the possible outcome based on facts and current circumstances. • Obtained legal representation letters on the material outstanding legal cases. • Reviewed minutes of board meetings, including the sub-committees. • Based on the audit evidence obtained, while noting the inherent uncertainty with such legal, regulatory and tax matters, determined the level of provisioning and disclosure of contingent liabilities as at 31 March, 2020 to be appropriate.

D. Key Audit Matter of Associate - HDFC Bank Limited ('HDFC Bank') as provided by the auditor of HDFC Bank

Key audit matter	How the matter was addressed in our audit
Measurement of Expected Credit Loss (ECL) on Financial Assets:	
Recognition and measurement of impairment relating to financial assets involves significant management judgement. With the applicability of Ind AS 109 credit loss assessment is now based on ECL model which is forward looking Expected Loss Approach. HDFC Bank's impairment allowance is computed based on estimates including the historical default and loss ratios. HDFC Bank leverages the assets classification and risk estimations under Internal Rating Based (IRB) capital computation for ECL computation. HDFC Bank exercises judgement in determining the quantum of loss based on a range of factors. The most significant areas are: • Portfolio Segmentation. • Asset staging criteria. • Calculation of probability of default / Loss given default/ Credit conversion factor basis the portfolio segmentation. • Consideration of probability of forward looking macro-economic factors specially for COVID-19 impact. HDFC Bank has Board approved policy on ECL to ensure the compliance with Ind AS 109 requirements and the basis of all assumptions for underlying inputs to ECL model.	**During the course of their audit, the auditor of HDFC Bank performed the following procedures:** • Reviewed the Board approved policy on ECL for impairment of financial assets and assessed compliance with Ind AS 109. • Understood the process of ECL computation and tested design and operating effectiveness of key controls around data extraction and validation. • Evaluated HDFC Bank's controls over collation of relevant information used for determining estimates for management overlays on account of COVID-19. • Involved specialists to review the methodology of the computation of staging of loans, estimation of probability of default, its calibration, and estimation of loss given default. • Reconciled the total financial assets considered for ECL estimation with the books of accounts to ensure the completeness. Performed substantive procedures for testing of ECL model and computation of ECL amount included and not limited to the following:

Key audit matter	How the matter was addressed in our audit
The Bank has vide range of products in retail segment and exposure to various industries in wholesale segment. There is significant data input required for the computation of ECL for homogenous product in retail segment and basis model and internal grading system in wholesale segment. This increases the risk of completeness and accuracy of the data that has been used as a basis of assumptions in the model. Identified the measurement of ECL as a key audit matter in view of the significant judgement and assumptions involved.	• Performed procedures over segmentation of financial assets related to the advances in retail and wholesale as per their various products and models and risk characteristics. • Reviewed the assumptions used for and computation of probability of default, loss given default, discounting factors, credit conversion factor for different class of financial assets as per their nature and risk assessment for sample class of assets. • Tested the appropriate staging of assets basis their days past due and other loss indicators on sample basis. • Reviewed the assessment performed for forward looking macro-economic factor. • Tested the ECL computation and ensured application of correct underlying factor like PD, LGD, CCF etc. basis the nature of products and models.
Information Technology ("IT") Systems and Controls:	
HDFC Bank has a complex IT architecture to support its day to day business operations. High volume of transactions is processed and recorded on single or multiple applications. The reliability and security of IT systems plays a key role in the business operations of HDFC Bank. Since large volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. Appropriate IT general controls and application controls are required to ensure that such IT systems are able to process the data, as required, completely, accurately and consistently for reliable financial reporting. Identified 'IT systems and controls' as key audit matter because of the high level automation, significant number of systems being used by HDFC Bank and the complexity of the IT architecture and its impact on the financial reporting system.	**During the course of their audit, the auditor of HDFC Bank performed the following procedures:** For testing the IT general controls, application controls and IT dependent manual controls, involved IT specialists as part of the audit. The team also assisted in testing the accuracy of the information produced by HDFC Bank's IT systems. Gathered a comprehensive understanding of IT applications landscape implemented at the Bank. It was followed by process understanding, mapping of applications to the same and understanding financial risks posed by people-process and technology. Key IT audit procedures includes testing design and operating effectiveness of key controls operating over user access management (which includes user access provisioning, de-provisioning, access review, password configuration review, segregation of duties and privilege access, change management (which include change release in production environment are compliant to the defined procedures and segregation of environment is ensured), program development (which include review of data migration activity), computer operations (which includes testing of key controls pertaining to, backup, Batch processing (including interface testing), incident management and data centre security), System interface controls. This included testing that requests for access to systems were appropriately logged, reviewed and authorized. Also, entity level controls pertaining to policy and procedure and Business continuity plan assessment due impact of COVID-19 was also part of audit procedure.

Key audit matter	How the matter was addressed in our audit
	In addition to the above, the design and operating effectiveness of certain automated controls, that were considered as key internal system controls over financial reporting were tested. Using various techniques such as inquiry, review of documentation/record/reports, observation and re-performance. Also tested few controls using negative testing technique and had taken adequate samples of instances for test.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company's Director's report and Management Discussion & Analysis (MD&A), but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and based on the work done/ audit report of other auditors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's and Board of Directors' Responsibilities for the Consolidated Financial Statements

The Holding Company's Management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit/ loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group and its associates in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. The respective Management and Board of Directors of the companies included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of each company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the 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 consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by Management and Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Management and Board of Directors of the companies included in the Group and of its associates are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associates is responsible for overseeing the financial reporting process of each company.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on the internal financial controls with reference to the consolidated financial statements and the operating effectiveness of such controls based on our audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management and Board of Directors.
- Conclude on the appropriateness of Management and Board of Directors use of the going concern basis of accounting in preparation of consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group and its associates to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group and its associates to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in para (a) of the section titled 'Other Matters' in this audit report.

We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors 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.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

(a) The consolidated financial statements include the audited consolidated (where applicable) financial statements of 11 subsidiaries and 1 associate, whose financial statements/ financial information reflect Group's share of total assets of ₹ 1,60,103 crores as at March 31, 2020, Group's share of total revenue of ₹ 42,062 crores and Group's share of total net profit after tax of ₹ 7,304 crores and Group's share of net cash outflows of ₹ 23 crores for the year ended on that date, as considered in the consolidated financial statements, which have been audited by their respective independent auditors. The independent auditors' reports on financial statements/financial information of these entities have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these entities, is based solely on the report of such auditors.

Of the aforesaid subsidiaries, 2 subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Corporation's management has converted the financial statements of these 2 subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Corporation's management. Our opinion in so far as it relates to the amounts and disclosures of these 2 subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by management of the Corporation and audited by us.

(b) The consolidated financial statements include the financial statements of a subsidiary acquired by the Holding Company on 9 January 2020, whose financial statements (prior to recognition of adjustments in accordance with Ind AS 103 "Business Combinations", which have been audited by us) reflect Group's share of total assets of ₹ 2,733 crores as at March 31, 2020, Group's share of total revenue of ₹ 999 crores and Group's share of total net profit after tax of ₹ 131 crores and Group's share of net cash inflows of ₹ 28 crores for the period ended on that date, as considered in the consolidated financial statements, which have been audited by the subsidiary's independent auditors.

Similarly, the opening balance sheet of the subsidiary (prior to recognition of adjustments in accordance with Ind AS 103 “Business Combinations”, which have been audited by us) as considered by the Holding Company, for the purposes of computation of goodwill, has been audited by the subsidiary’s independent auditors.

The independent auditors’ reports on financial statements and opening balance sheet of this subsidiary have been furnished to us by the management and our opinion on the consolidated annual financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, is based solely on the report of such auditors.

(c) The consolidated financial statements include the unaudited financial statements of 2 subsidiaries, a component of subsidiary and 3 associates, whose financial statements / financial information reflect Group’s share of total assets of ₹ 316 crores, Group’s share of total revenue of ₹ 62 crores and Group’s share of total net profit after tax of ₹ 2 crores and Group’s share of net cash inflows of ₹ 16 crores for the year ended March 31, 2020, as considered in the consolidated financial statements. These unaudited financial statements/ financial information have been furnished to us by the Board of Directors and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, component of subsidiary and associates is based solely on such financial statements/financial information. In our opinion and according to the information and explanations given to us by the Board of Directors, this financial statements/financial information are not material to the Group.

(d) Further, in case of a subsidiary where the financial statements for the year ended March 31, 2020 have been audited by us, the figures reported as comparatives were audited by the then statutory auditor. Such comparative figures reflect Group’s share of total assets of ₹ 137 crores, Group’s share of total revenue of ₹ 461 crores, Group’s share of total net profit after tax of Rs. 6 crores, Group’s share of net cash inflows of ₹ 6 crores for the year ended as at March 31, 2019.

(e) Investment in equity shares of a subsidiary have been sold during the year ended March 31, 2020 and consequently the entity ceased to be a subsidiary of the Holding Company effective August 30, 2019. Further, the investment in this entity was classified as an associate with effect from August 31, 2019. Thereafter, the investment in this associate stand cancelled with reference to the scheme of merger, effective October 17, 2019, and the entity ceased to be an associate.

For the year ended March 31, 2020, the consolidated financial statements includes the financial statements of this subsidiary, which reflect total revenues of ₹ 907 crores and total net profit after tax of ₹ 174 crores and total comprehensive income of ₹ 173 crores for the period from April 1 to August 30, 2019, whose financial statements have not been audited.

For the year ended March 31, 2020, the consolidated financial statements includes the Group’s share of net profit after tax of ₹ 11 crores for the period August 31, 2019 to October 17, 2019, which has not been audited.

In respect to the above entity, the financial statements have been furnished to us by management and our report on the consolidated financial statements in so far as it relates to the amounts included in respect of this entity are based solely on such financial information / explanation given to us and is management certified.

(f) Expenses pertaining to Life Insurance Business includes charge for actuarial valuation of liabilities for life policies in force and policies where premium is discontinued, in respect of one subsidiary and Expenses pertaining to General Insurance Business includes the estimate of claims Incurred But Not Reported (‘IBNR’) and claims Incurred But Not Enough Reported (‘IBNER’) in respect of another subsidiary.

This charge has been determined based on the liabilities duly certified by the respective subsidiaries appointed actuaries, and in their respective opinion, the assumptions for such valuations are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India ('IRDAI') and the Institute of Actuaries of India in concurrence with the IRDAI. The respective auditors of these subsidiaries have relied on the appointed actuary's certificate in this regard in forming their conclusion on the financial statements of the said subsidiaries.

Our opinion on the consolidated financial statements is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements/ financial information certified by the Board of Directors.

Report on Other Legal and Regulatory Requirements

A. As required by Section 143(3) of the Act, based on our audit and on the consideration of reports of the other auditors on separate financial statements of such subsidiaries and associates as were audited by other auditors, as noted in the 'Other Matters' paragraph, we report, to the extent applicable, that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

c) The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act.

e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies and associate companies, none of the directors of the Group companies and its associate companies is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company, its subsidiary companies and associate companies and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

B. With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements of the subsidiaries and associates, as noted in the 'Other Matters' paragraph:

i. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2020 on the consolidated financial position of the Group and its associates. Refer Note 44 to the consolidated financial statements;

ii. Provision has been made in the consolidated financial statements, as required under the applicable law or Ind AS, for material foreseeable losses, on long-term contracts including derivative contracts. Refer Note 7.1 to the consolidated financial statements in respect of such items as it relates to the Group and its associates;

iii. There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Corporation during the year ended 31 March 2020. Whilst the Corporation transferred the unclaimed dividend, 2,120 underlying equity shares relating to such unclaimed dividend could not be transferred as the depository participant informed that the aforesaid equity shares were not available in the demat accounts of the respective shareholders; and

iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the financial statements since they do not pertain to the financial year ended 31 March 2020.

C. With respect to the matter to be included in the Auditors' report under Section 197(16):

In our opinion and according to the information and explanations given to us and based on the reports of the statutory auditors of such subsidiary companies and associate companies which were not audited by us, the remuneration paid during the current year by the Holding Company, its subsidiary companies and associate companies to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the Holding Company, its subsidiary companies and associate companies is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

AKEEL MASTER
Partner
Membership No: 046768
ICAI UDIN 20046768AAAAIG5257

Mumbai
25 May 2020

Annexure - A to the Independent Auditors' report – March 31, 2020

(Referred to in our report of even date)

Report on the internal financial controls with reference to the aforesaid consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph (A.f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

In conjunction with our audit of the consolidated financial statements of Housing Development Finance Corporation Limited (hereinafter referred to as the 'Holding Company' or the 'Corporation') as of and for the year ended 31 March 2020, we have audited the internal financial controls over financial reporting of the Holding Company and such companies incorporated in India under Companies Act, 2013 which are its subsidiaries (the Holding Company and its subsidiaries together referred to as the 'Group') and associate companies, as of that date.

Expenses pertaining to Life Insurance Business includes charge for actuarial valuation of liabilities for life policies in force and policies where premium is discontinued, in respect of one subsidiary and Expenses pertaining to General Insurance Business includes the estimate of claims Incurred But Not Reported ('IBNR') and claims Incurred But Not Enough Reported ('IBNER') in respect of another subsidiary. This charge has been determined based on the liabilities duly certified by the respective subsidiaries appointed actuaries, and in their respective opinion, the assumptions for such valuations are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India ('IRDAI') and the Institute of Actuaries of India in concurrence with the IRDAI. The respective auditors of these subsidiaries have relied on the appointed actuary's certificate in this regard in forming their opinion on the financial statements of the said subsidiaries.

In our opinion, the Holding Company and such companies incorporated in India which are its subsidiary companies and its associate companies, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the 'Guidance Note').

Management's and Board of Directors Responsibility for Internal Financial Controls

The respective company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements based on the criteria established by the respective company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as 'the Act').

Auditor's responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI and the Standards on Auditing, issued by the ICAI and specified under Section 143(10) of the Act to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by other auditors of the subsidiary companies and associate companies in terms of their reports referred to in the 'Other matters' paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system with reference to consolidated financial statements.

Meaning of Internal Financial controls with Reference to Consolidated Financial Statements

A company's internal financial control with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and Directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent limitations of internal financial controls over financial reporting

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to consolidated financial statements to future periods are subject to the risk that the internal financial control with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other matter

Our aforesaid report under Section I43(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated financial statements in so far as it relates to the 9 subsidiaries and 2 associate companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

Our opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting is not modified in respect of the above matter with respect to our reliance on the work done and reports of the other auditors and representations of Board of Directors and management of the Corporation.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

AKEEL MASTER
Partner
Membership No: 046768
ICAI UDIN 20046768AAAAIG5257

Mumbai
25 May 2020

Housing Development Finance Corporation Limited
Consolidated Balance Sheet as at March 31, 2020

₹ in Crore

Particulars		Notes	As at March 31, 2020	As at March 31, 2019
ASSETS				
Financial Assets				
(i)	Cash and cash equivalents	4	**5,198.46**	3,183.31
(ii)	Bank Balances other than (i) above	5	**303.07**	1,353.23
(iii)	Receivables	6		
	- Trade receivables		**336.31**	611.99
	- Other receivables		**6.58**	28.60
(iv)	Derivative financial instruments	7	**5,758.06**	1,403.36
(v)	Loans	8	**4,45,496.16**	4,22,363.83
(vi)	Investments in Associates	9	**48,883.74**	43,874.69
(vii)	Other Investments	10	**51,027.29**	32,837.20
(viii)	Assets of Life Insurance Business	11		
	- Investments	11.1	**1,29,605.23**	1,24,882.26
	- Other Assets	11.3	**7,726.66**	4,987.02
(ix)	Assets of Non-Life Insurance Business			
	- Investments	11.2	**13,731.83**	9,187.56
	- Other Assets	11.3	**6,136.41**	4,229.64
(x)	Other financial assets	12	**3,983.72**	4,436.32
Total Financial Assets			**7,18,193.52**	6,53,379.01
Non-Financial Assets				
(i)	Current Tax assets (Net)	13	**3,696.51**	3,279.98
(ii)	Deferred tax assets (Net)	13	**1,699.68**	919.07
(iii)	Investment property	14	**981.52**	395.64
(iv)	Property, plant and equipment	15	**1,744.27**	1,188.02
(v)	Other intangible assets	16	**1,149.45**	101.20
(vi)	Capital work in Progress		**20.38**	20.41
(vii)	Intangible assets under development		**38.52**	3.81
(viii)	Other non-financial assets	17	**690.35**	962.52
(ix)	Goodwill on consolidation	16	**1,600.73**	625.46
Total Non-Financial Assets			**11,621.41**	7,496.11
Total Assets			**7,29,814.93**	6,60,875.12

Housing Development Finance Corporation Limited
Consolidated Balance Sheet as at March 31, 2020 (Continued)

₹ in Crore

Particulars	Notes	As at March 31, 2020	As at March 31, 2019
LIABILITIES AND EQUITY			
LIABILITIES			
Financial Liabilities			
(i) Derivative financial instruments	7	**354.84**	164.75
(ii) Payables	18		
(A) Trade Payables			
(a) total outstanding dues of micro enterprises and small enterprises		**4.00**	1.55
(b) total outstanding dues of creditors other than micro enterprises and small enterprises		**2,161.19**	1,995.80
(B) Other Payables			
(a) total outstanding dues of micro enterprises and small enterprises		**-**	-
(b) total outstanding dues of creditors other than micro enterprises and small enterprises		**238.95**	463.04
(iii) Debt Securities	19	**1,79,799.15**	1,84,639.73
(iv) Borrowings (Other than Debt Securities)	20	**1,07,914.67**	90,256.39
(v) Deposits	21	**1,32,304.79**	1,07,071.99
(vi) Subordinated Liabilities	22	**5,348.93**	5,735.70
(vii) Liabilities pertaining to Life Insurance Business	23	**1,31,006.74**	1,25,344.52
(viii) Liabilities pertaining to Non Life Insurance Business	23	**17,423.31**	11,174.31
(ix) Other financial liabilities	24	**16,536.97**	14,460.04
Total Financial Liabilities		**5,93,093.54**	5,41,307.82
Non-Financial Liabilities			
(i) Current tax liabilities (Net)	25	**259.84**	170.53
(ii) Deferred tax liabilities (Net)	13	**32.46**	65.43
(iii) Provisions	26	**372.09**	369.42
(iv) Other non-financial liabilities	27	**2,220.52**	983.40
Total Non-Financial Liabilities		**2,884.91**	1,588.78
Total Liabilities		**5,95,978.45**	5,42,896.60
EQUITY			
(i) Equity Share capital	28	**346.41**	344.29
(ii) Other equity	29	**1,26,132.75**	1,11,388.85
(iii) Non-controlling interest		**7,357.32**	6,245.38
Total equity		**1,33,836.48**	1,17,978.52
Total liabilities and equity		**7,29,814.93**	6,60,875.12

See accompanying notes forming part of the the consolidated financial statements

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firms' Regst. No: 101248W/W-100022

Akeel Master
Partner
Membership No. 046768

MUMBAI, May 25, 2020

Directors

Deepak S. Parekh
Chairman
(DIN: 00009078)

Keki M. Mistry
Vice Chairman &
Chief Executive Officer
(DIN: 00008886)

Renu Sud Karnad
Managing Director
(DIN: 00008064)

J. J. Irani
(DIN: 00311104)

U. K. Sinha
(DIN: 00010336)

Bhaskar Ghosh
(DIN: 06656458)

V. Srinivasa Rangan
Executive Director &
Chief Financial Officer
(DIN: 00030248)

Nasser Munjee
(DIN: 00010180)

Jalaj Dani
(DIN: 00019080)

Ireena Vittal
(DIN: 05195656)

Ajay Agarwal
Company Secretary
(FCS: 9023)

Housing Development Finance Corporation Limited
Statement of Consolidated Profit and Loss for the year ended March 31, 2020

₹ in Crore

Particulars		Notes	Year ended March 31, 2020	Year ended March 31, 2019
I.	**Revenue from Operations**			
i)	Interest Income	30	45,253.26	41,045.30
ii)	Surplus from deployment in Cash Management Schemes of Mutual Funds		1,118.90	997.71
iii)	Dividend Income		89.21	29.47
iv)	Rental Income	31	47.13	68.05
v)	Fees and commission Income		2,138.82	2,475.11
vi)	Profit on Loss of Control	50.3	9,799.10	-
vii)	Net gain on fair value changes	32	(179.67)	711.34
viii)	Profit on Sale of Investments Properties		35.11	21.63
ix)	Net gain on derecognition of assigned loans		967.87	859.99
x)	Income from Life Insurance Operations - Policyholder's funds	33	28,041.47	37,777.49
xi)	Income from Non-Life Insurance Operations - Policyholder's funds	33	14,414.51	11,929.22
Total Revenue from Operations			1,01,725.71	95,915.31
II.	**Other Income**		70.19	279.56
Total Income (I + II)			1,01,795.90	96,194.87
III.	**Expenses**			
i)	Finance costs	34	32,109.45	29,525.78
ii)	Impairment on financial instruments (Expected Credit Loss)	35	5,951.12	991.19
iii)	Employee benefit expenses	36	1,356.66	1,448.37
iv)	Depreciation, amortisation and impairment	15	256.11	96.00
v)	Establishment Expenses	37	56.78	239.71
vi)	Expense of Life Insurance Operations - Policyholder's funds	38	26,618.01	36,432.07
vii)	Expense of Non-Life Insurance Operations - Policyholder's funds	38	13,934.50	11,632.86
viii)	Other Expenses	39	1,066.12	1,119.75
Total expenses			81,348.75	81,485.73
IV.	**Profit before share of profit of Associates (III - IV)**		20,447.15	14,709.14
V.	**Share of profit of associates**	9	5,746.10	7,389.82
VI.	**Profit before tax (IV + V)**		26,193.25	22,098.96
VII	**Tax expense**			
	- Current tax		3,415.75	4,370.02
	- Deferred tax		(48.97)	148.43
Total tax expense		13	3,366.78	4,518.45
VIII.	**Net Profit After Tax (VI - VII)**		22,826.47	17,580.51

Housing Development Finance Corporation Limited
Statement of Consolidated Profit and Loss for the year ended March 31, 2020 (Continued)

₹ in Crore

Particulars	Notes	Year ended March 31, 2020	Year ended March 31, 2019
IX. Other comprehensive income	**41**		
(A) (i) Items that will not be reclassified to profit or (loss)		**(7,150.50)**	(72.38)
(ii) Income tax relating to items that will not be reclassified to profit or (loss)		**620.12**	17.80
Sub Total (A)		**(6,530.38)**	(54.58)
(B) (i) Items that will be reclassified to profit or (loss)		**203.97**	(12.37)
(ii) Income tax relating to items that will be reclassified to profit or (loss)		**(31.55)**	(0.60)
Sub Total (B)		**172.42**	(12.97)
(C) Share of Other Comprehensive Income of an associate	**9**	**144.54**	149.27
Other Comprehensive Income (A+B+C)		**(6,213.42)**	81.72
Total comprehensive income (VIII + IX)		**16,613.05**	17,662.23
Profit attributable to:			
Owners of the Corporation		**21,434.57**	16,231.76
Non-Controlling Interest		**1,391.90**	1,348.75
Other Comprehensive Income attributable to:			
Owners of the Corporation		**(6,374.24)**	119.49
Non-Controlling Interest		**160.82**	(37.77)
Total Comprehensive Income attributable to:			
Owners of the Corporation		**15,060.33**	16,351.25
Non-Controlling Interest		**1,552.72**	1,310.98
Earnings per equity share	**43**		
Basic (₹)		**124.14**	95.40
Diluted (₹)		**123.19**	94.66

See accompanying notes forming part of the the consolidated financial statements

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firms' Regst. No: 101248W/W-100022

Akeel Master
Partner
Membership No. 046768

MUMBAI, May 25, 2020

Directors

Deepak S. Parekh
Chairman
(DIN: 00009078)

Keki M. Mistry
Vice Chairman &
Chief Executive Officer
(DIN: 00008886)

Renu Sud Karnad
Managing Director
(DIN: 00008064)

J. J. Irani
(DIN: 00311104)

U. K. Sinha
(DIN: 00010336)

Bhaskar Ghosh
(DIN: 06656458)

V. Srinivasa Rangan
Executive Director &
Chief Financial Officer
(DIN: 00030248)

Nasser Munjee
(DIN: 00010180)

Jalaj Dani
(DIN: 00019080)

Ireena Vittal
(DIN: 05195656)

Ajay Agarwal
Company Secretary
(FCS: 9023)

Housing Development Finance Corporation Limited
Consolidated Statement of Changes in Equity for the year ended March 31, 2020

A. Equity Share Capital

₹ in Crore

	Notes	Amount
As at March 31, 2018	28	**335.18**
Equity share capital issued during the year		9.11
As at March 31, 2019		**344.29**
Equity share capital issued during the year		2.12
As at March 31, 2020		**346.41**

B. Other Equity (Refer Note 29)

₹ in Crore

Particulars	Reserves and Surplus												Other Comprehensive Income						
	Capital Reserve	Securities Premium	Retained Earnings	General Reserve	Special Reserve I	Special Reserve II	Statutory Reserve	Special Reserve U/s 45-IC of The Reserve Bank of India Act, 1934	Shelter Assistance Reserve	Corporate Social Responsibility Account	Foreign Currency Monetary Item Translation	Other reserves	Investments through Other Comprehensive Income	Effective portion of Cash Flow Hedges	Cost of Hedge	Employee Stock Option Reserve	Money received against share warrants	Total	Non Controlling Interest
Balance as at March 31, 2018	48.30	24,836.68	30,472.93	18,790.13	51.23	11,485.63	4,943.64	86.24	18.22	0.00	(50.72)	46.45	17.42	(235.25)	2.89	973.90	50.38	91,538.07	4,994.30
Changes in accounting policy/prior period errors																		-	
Restated balance at the beginning of the reporting period	**48.30**	**24,836.68**	**30,472.93**	**18,790.13**	**51.23**	**11,485.63**	**4,943.64**	**86.24**	**18.22**	**-**	**(50.72)**	**46.45**	**17.42**	**(235.25)**	**2.89**	**973.90**	**50.38**	**91,538.07**	**4,994.30**
Profit for the year			16,231.76															16,231.76	1,348.75
Other Comprehensive Income for the year													112.01	9.91	(2.44)			119.48	(37.77)
Total Comprehensive Income for the year	**-**	**-**	**16,231.76**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**112.01**	**9.91**	**(2.44)**	**-**	**-**	**16,351.24**	**1,310.98**
Opening Adjustments			(349.01)															(349.01)	
Profit on sale of subsidiary			1,205.61															1,205.61	
Dividends including tax on dividend			(4,086.63)															(4,086.63)	
Transfer from retained earnings			(2,086.76)	47.68		1,908.89	100.00	18.69				11.50						-	
Received during the year		6,613.17									58.15	10.91				178.74		6,860.96	
Utilised during the year		(41.43)	(6.49)						(14.95)				(11.09)	1.31	(1.31)	(7.05)	(50.38)	(131.39)	(59.90)
Balance as at March 31, 2019	**48.30**	**31,408.42**	**41,381.41**	**18,837.81**	**51.23**	**13,394.52**	**5,043.64**	**104.93**	**3.27**	**-**	**7.43**	**68.86**	**118.34**	**(224.03)**	**(0.86)**	**1,145.58**	**-**	**111,388.85**	**6,245.38**

Particulars	Reserves and Surplus												Other Comprehensive Income						
	Capital Reserve	Securities Premium	Retained Earnings	General Reserve	Special Reserve I	Special Reserve II	Statutory Reserve	Special Reserve U/s 45-IC of The Reserve Bank of India Act, 1934	Shelter Assistance Reserve	Corporate Social Responsibility Account	Foreign Currency Monetary Item Translation	Other reserves	Investments through Other Comprehensive Income	Effective portion of Cash Flow Hedges	Cost of Hedge	Employee Stock Option Reserve	Money received against share warrants	Total	Non Controlling Interest
Balance as at March 31, 2019	**48.30**	**31,408.42**	**41,381.41**	**18,837.81**	**51.23**	**13,394.52**	**5,043.64**	**104.93**	**3.27**	**-**	**7.43**	**68.86**	**118.34**	**(224.03)**	**(0.86)**	**1,145.58**	**-**	**111,388.85**	**6,245.38**
Changes in accounting policy/prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restated balance at the beginning of the reporting period	**48.30**	**31,408.42**	**41,381.41**	**18,837.81**	**51.23**	**13,394.52**	**5,043.64**	**104.93**	**3.27**	**-**	**7.43**	**68.86**	**118.34**	**(224.03)**	**(0.86)**	**1,145.58**	**-**	**111,388.85**	**6,245.38**
Profit for the year	-	-	21,434.57	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,434.57	1,391.90
Other Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-	-	-	(6,420.99)	41.86	4.89	-	-	(6,374.24)	160.82
Total Comprehensive Income for the year	**-**	**-**	**21,434.57**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,420.99)**	**41.86**	**4.89**	**-**	**-**	**15,060.33**	**1,552.72**
Movement for the year	-	5.03	1,023.22	(585.49)		(366.07)	0.14	9.92	-	-	-	9.67	(136.94)	1.58	(1.58)	68.56	-	28.04	-
Profit on sale of subsidiary (where control is retained)	-	-	1,740.41	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,740.41	-
Dividends including tax on dividend	-	-	(3,600.64)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,600.64)	-
Transfer from retained earnings	-	-	(11,659.99)	8,034.59	-	3,400.00	200.00	25.40	-	-	-	-	-	-	-	-	-	0.00	-
Received during the year	-	1,665.95	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,665.95	-
Utilised / Other Adjustments	(3.71)	-	-	-	-	-	-	-	(3.17)	-	(7.43)	-		-	-	(135.88)	-	(150.19)	(440.78)
Balance as at March 31, 2020	**44.59**	**33,079.40**	**50,318.98**	**26,286.91**	**51.23**	**16,428.45**	**5,243.78**	**140.25**	**0.10**	**-**	**-**	**78.53**	**(6,439.59)**	**(180.59)**	**2.45**	**1,078.26**	**-**	**126,132.75**	**7,357.32**

See accompanying notes forming part of the consolidated financial statements

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firms' Regst. No: 101248W/W-100022

Akeel Master
Partner
Membership No. 046768

MUMBAI, May 25, 2020

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(DIN: 00009078)

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Vice Chairman &
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Ireena Vittal
(DIN: 05195656)

Ajay Agarwal
Company Secretary
(FCS: 9023)

Housing Development Finance Corporation Limited
Consolidated Cash Flow Statement for the year ended March 31, 2020

₹ in Crore

	Notes	Year ended March 31, 2020	Year ended March 31, 2019
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		**26,193.25**	22,098.96
Adjustments for:			
Share of Profit of the Associates		**(5,746.10)**	(7,389.82)
Depreciation and Amortisation		**256.11**	175.20
Impairment on Financial Instruments (Expected Credit Loss)		**5,951.12**	1,165.70
Expense on Employee Stock Option Scheme		**15.96**	245.98
Profit on loss of control in Subsidiary		**(9,799.10)**	-
Net gain on fair value changes		**182.12**	(750.59)
Profit on Sale of Investments		**(2.45)**	(21.63)
(Profit) / Loss on Sale of Investment Properties and Fixed Assets (Net)		**(35.11)**	(66.83)
Interest Expense		**31,901.06**	29,012.79
Interest Income		**(45,253.26)**	(45,827.48)
Surplus from deployment in Cash Management Schemes of Mutual Funds		**(1,118.90)**	(997.71)
Utilisation of Shelter Assistance Reserve		**(3.17)**	(14.94)
Operating Profit before Working Capital changes		**2,541.53**	(2,370.37)
Adjustments for:			
Decrease/(Increase) in Financial Assets and Non Financial Assets		**(3,535.38)**	(2,481.80)
(Decrease)/Increase in Financial and Non Financial Liabilities		**3,270.61**	1,680.78
Decrease/(Increase) in Assets pertaining to Insurance Business		**(14,194.94)**	(22,377.06)
(Decrease)/Increase in Liabilities pertaining to Insurance Business		**13,545.65**	20,172.92
Cash from / (used) for Operations		**1,627.47**	(5,375.53)
Interest Received		**46,372.16**	46,513.71
Interest Paid		**(31,775.66)**	(28,101.80)
Taxes Paid		**(3,967.98)**	(3,485.40)
Net cash from Operations		**12,255.99**	9,550.98
Investments in schemes of Mutual Fund (Net)		**(10,312.48)**	(6,091.39)
Loans disbursed (net)		**(29,899.40)**	(47,354.55)
Corporate Deposits (net)		**1,070.88**	(406.45)
Net cash used in Operating activities	**A**	**(26,885.01)**	(44,301.41)
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		**(356.14)**	(211.78)
Sale of Fixed Assets		**3.82**	31.60
Net Cash used for Fixed Assets		**(352.32)**	(180.18)
Purchase of Investment Properties		**(296.25)**	(17.28)
Sale of Investment Properties		**65.43**	127.45
Net Cash flow from / used for Investment Properties		**(230.82)**	110.17
Investments in Subsidiary Companies		**(1,495.81)**	(121.24)
Investments in Associate Companies		**(86.71)**	(8,569.75)
Other Investments (Net)		**(9,347.13)**	(1,554.61)
Sale proceeds of Investments in Subsidiary Companies		**1,639.14**	-
Net cash used for Investing activities	**B**	**(9,873.65)**	(10,315.61)

Housing Development Finance Corporation Limited

Consolidated Cash Flow Statement for the year ended March 31, 2020 (Continued)

₹ in Crore

	Notes	Year ended March 31, 2020	Year ended March 31, 2019
C. CASH FLOW FROM FINANCING ACTIVITIES			
Share Capital - Equity		**2.12**	9.11
Securities Premium received		**1,587.94**	6,613.17
Securities Premium utilised		**(0.25)**	(41.43)
Sale proceeds of Investments in Subsidiary Companies		**1,903.27**	1,248.87
Borrowings and Deposits (Net)		**42,883.65**	48,745.70
Proceeds from Debt Securities and Subordinated Liabilities		**1,05,072.64**	1,74,755.46
Repayment of Debt Securities and Subordinated Liabilities		**(1,10,139.61)**	(1,73,104.37)
Dividend paid - Equity Shares		**(3,023.49)**	(3,407.28)
Tax paid on Dividend		**(581.35)**	(695.25)
Change in Non-Controlling Interest		**1,068.89**	861.65
Net cash from Financing activities	C	**38,773.81**	54,985.63
Net Increase / (Decrease) in cash and cash equivalents	[A+B+C]	**2,015.15**	368.61
Add : Cash and cash equivalents as at the beginning of the period		**3,183.31**	2,814.70
Cash and cash equivalents as at the end of the period		**5,198.46**	3,183.31

During the year, the Group has received Dividend of ₹ **89.21 Crore** (Previous year ₹ 511.14 Crore)

Net movement in Borrowings (including Debt Securities), Deposits and Subordinated Liabilities amounting to ₹ **37,663.73 Crore** (Previous year ₹ 50,338.64 Crore) includes fresh issuance, repayments and effect of changes in foreign exchange rates.

See accompanying notes forming part of the the consolidated financial statements

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firms' Regst. No: 101248W/W-100022

Akeel Master
Partner
Membership No. 046768

MUMBAI, May 25, 2020

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(DIN: 00009078)

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Ajay Agarwal
Company Secretary
(FCS: 9023)

Notes forming part of the Consolidated Financial Statements

1. Corporation Overview

Housing Development Finance Corporation Limited ('HDFC' or 'the Corporation' or 'the Company') was incorporated in 1977 as the first specialised Mortgage Company domiciled in India having its Corporate office at HDFC House, H T Parekh Marg, Churchgate, Mumbai 400 020. The principal business is providing finance to individuals, corporates and developers for the purchase, construction, development and repair of houses, apartments and commercial properties in India. The business is conducted through its branches in India and its overseas offices at London, Singapore and Dubai supported by a network of agents for sourcing loans as well as deposits. HDFC is the holding company for investments in its associates and subsidiary companies. The Corporation is a public limited company and its shares are listed on the Bombay Stock Exchange (BSE), India, and the National Stock Exchange (NSE), India, and the Corporation's Synthetic INR Denominated bonds are listed on the London Stock Exchange. HDFC is also a financial conglomerate and has subsidiaries / associates engaged across banking, insurance, asset management and other financial services business.

2. Basis of Preparation and Presentation

2.1 Statement of Compliance and basis of preparation and presentation

The consolidated financial statements ("financial statements") have been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 as per Section 133 of the Companies Act, 2013 and relevant amendment rules issued thereafter ("Ind AS") on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period as explained below, the relevant provisions of the Companies Act, 2013 (the "Act") and the guidelines issued by the National Housing Bank ("NHB"), the Reserve Bank of India ("RBI"), the Insurance Regulatory Development Authority of India ("IRDAI"), the Securities Exchange Board of India ("SEBI") to the extent applicable.

The Balance Sheet, the Statement of Profit and Loss and the Statement of Changes in Equity are prepared and presented in the format prescribed in the Division III of Schedule III to the Act. The Statement of Cash Flows has been prepared and presented as per the requirements of Ind AS 7 "Statement of Cash Flows".

Amounts in the financial statements are presented in Indian Rupees in Crore rounded off to two decimal places as permitted by Schedule III to the Act. Per share data are presented in Indian Rupee to two decimal places. The Corporation presents its Balance Sheet in the order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 48.

Accounting policies have been consistently applied except where a newly-issued Ind AS is initially adopted or a revision to an existing Ind AS requires a change in the accounting policy hitherto in use.

2.2 Functional and Presentation Currency

The financial statements are presented in Indian Rupees (₹) which is the functional and the presentation currency of the Corporation and all values are rounded to the nearest Crore, except when otherwise indicated.

2.3 Basis of Measurement

The financial statements have been prepared on historical cost basis except for certain financial instruments that are measured at fair values.

A historical cost is a measure of value used in accounting in which the price of an asset on the balance sheet is based on its nominal or original cost when acquired by the Corporation.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Corporation takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share based payment transactions that are within the scope of Ind AS 102 Share Based Payments, leasing transactions that are within the scope of Ind AS 116 Leases.

Fair value measurements under Ind AS are categorised into fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation can access on measurement date.
- Level 2 inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 where unobservable inputs are used for the valuation of assets or liabilities.

2.4 Use of Estimates and Judgements

The preparation of the financial statements in conformity with Ind AS requires the Management to make estimates, judgements and assumptions. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected. The application of accounting policies that require critical accounting estimates involving complex and subjective judgements and the use of assumptions. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The preparation of the financial statements in conformity with Indian Accounting Standards ("Ind AS") requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

2.4.1 Determination of Expected Credit Loss

The measurement of impairment losses (ECL) across all categories of financial assets requires judgement.

In particular, the estimation of the amount and timing of future cash flows based on Corporation's historical experience and collateral values when determining impairment losses along with the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Elements of the ECL models that are considered accounting judgements and estimates include:

- Bifurcation of the financial assets into different portfolios when ECL is assessed on collective basis.
- Corporation's criteria for assessing if there has been a significant increase in credit risk.
- Development of ECL models, including the various formulas and choice of inputs / assumptions used.

Notes forming part of the Consolidated Financial Statements (Continued)

The various inputs used and process followed by the Corporation in determining the significant increase in credit risk has been detailed separately.

2.4.2 Fair Valuation of Investments

Some of the Corporation's Investments are measured at fair value. In determining the fair value of such Investments, the Corporation uses quoted prices (unadjusted) in active markets for identical assets or based on inputs which are observable either directly or indirectly. However in certain cases, the Corporation adopts valuation techniques and inputs which are not based on market data. When Market observable information is not available, the Corporation has applied appropriate valuation techniques and inputs to the valuation model.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Information about the valuation techniques and inputs used in determining the fair value of Investments are disclosed in Note 49.

2.4.3 Income Taxes

The Corporation's tax jurisdiction is in India. Significant judgements are involved in determining the provision for income taxes, including amount expected to be paid/recovered for certain tax positions.

2.4.4 Evaluation of Business Model

Classification and measurement of financial instruments depends on the business model test (refer note 3.2.2.1.4) and results of the solely payments of principal and interest on the principal amount outstanding ("SPPI") (refer note 3.2.2.1.5). The Corporation determines the business model at a level that reflects how the Corporation financial instruments are managed together to achieve a particular business objective.

The Corporation monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Corporation's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those instruments.

2.4.5 Share-Based Payments

Estimating fair value for share-based payment transactions requires use of an appropriate valuation model. The Corporation measures the cost of equity-settled transactions with employees using Black-Scholes Model to determine the fair value of the liability incurred on the grant date.

Inputs into the valuation model, includes assumption such as the expected life of the share option, volatility and dividend yield.

Further details used for estimating fair value for share-based payment transactions are disclosed in Note 3.9.1.

2.4.6 Defined Benefit Plans

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Notes forming part of the Consolidated Financial Statements (Continued)

Insurance Companies

For Insurance Companies, critical adjustments or judgements are required for valuation of policy liabilities as on date.

2.5 **Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries together referred to as ("the Corporation/Group") and Associates as at and for the year ended 31 March, 2020. The Corporation consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Corporation has less than a majority of the voting or similar rights of an investee, the Corporation considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Corporation's voting rights and potential voting rights.
- The size of the Corporation's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders.

The Corporation re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Corporation obtains control over the subsidiary and ceases when the Corporation loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Corporation gains control until the date the Corporation ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Corporation uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Corporation member's financial statements in preparing the consolidated financial statements to ensure conformity with the Corporation's accounting policies.

The financial statements of all entities used for the purpose of consolidation are same reporting date as that of the parent company, i.e., year ended on 31 March, 2020.

2.6 **Consolidation Procedure**

- Combine like items of assets, liabilities, equity, income, and expenses of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.
- Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.
- Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in assets, are eliminated in full). Intragroup losses may indicate an impairment that requires

Notes forming part of the Consolidated Financial Statements (Continued)

recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Corporation's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Corporation loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interests.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Corporation had directly disposed of the related assets or liabilities.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

The financial statements of the following subsidiary companies have been consolidated as per Ind AS 110 - Consolidated Financial Statements.

All the below mentioned subsidiaries have been incorporated in India, other than Griha Investments which has been incorporated in Mauritius, Griha Pte. Ltd. which has been incorporated in Singapore and HDFC International Life and Re Company Limited which has been incorporated in Dubai.

Sr. No.	Name of Subsidiary	Proportion of Ownership Interest (%)	
		March 31, 2020	March 31, 2019
1	HDFC Investments Ltd.	**100**	100
2	HDFC Holdings Ltd.	**100**	100
3	HDFC Asset Management Co. Ltd.	**52.72**	52.77
4	HDFC Trustee Co. Ltd.	**100**	100
5	GRUH Finance Ltd. (Subsidiary upto August 30, 2019)	-	56.09
6	HDFC Venture Capital Ltd.	**80.50**	80.50
7	HDFC Ventures Trustee Co. Ltd.	**100**	100
8	HDFC Life Insurance Co. Ltd.	**51.46**	51.48
9	HDFC Pension Management Co. Ltd. (Subsidiary of HDFC Life Insurance Co. Ltd.)	**51.46**	51.48
10	HDFC International Life and Re Company Limited (Subsidiary of HDFC Life Insurance Co. Ltd.)	**51.46**	51.48
11	HDFC ERGO General Insurance Co. Ltd.	**50.48**	50.49

Notes forming part of the Consolidated Financial Statements (Continued)

Sr. No.	Name of Subsidiary	Proportion of Ownership Interest (%)	
		March 31, 2020	March 31, 2019
12	HDFC Sales Pvt. Ltd.	**100**	100
13	HDFC Property Ventures Ltd.	**100**	100
14	HDFC Investment Trust	**100**	100
15	HDFC Investment Trust – II	**100**	100
16	Griha Investments (Subsidiary of HDFC Holdings Ltd.)	**100**	100
17	Griha Pte Ltd. (Subsidiary of HDFC Investments Ltd.)	**100**	100
18	HDFC Credila Financial Services Pvt. Ltd.	**100**	91.57
19	HDFC Education and Development Services Pvt. Ltd.	**100**	100
20	HDFC Capital Advisors Ltd.	**100**	100
21	HDFC ERGO Health Insurance Ltd. (formerly known as Apollo Munich Health Insurance Co. Ltd.) (with effect from January 9, 2020)	**51.56**	-

Consequent to the above changes in the ownership interest, certain previous year balances have been considered on current ownership and accordingly the same is reflected in the Reserves and Surplus as 'Opening Adjustments'.

2.7 **Business Combinations and Goodwill**

Business combinations except under common control are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Corporation measures the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

- Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.
- Assets (or disposal groups) that are classified as held for sale in accordance with Ind AS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.
- Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

In case of bargain purchase, before recognising a gain in respect thereof, the Corporation re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an

Notes forming part of the Consolidated Financial Statements (Continued)

excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

2.8 **Investments in Associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with Ind AS 105.

Under the equity method, the investment in an associate is initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. Dividend received from associates is recognised as reduction in the carrying amount of the investments.

After application of the equity method, the Corporation determines whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Corporation calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit/loss of an associate' in the Statement of Profit and Loss.

Upon loss of significant influence over the associate, the Corporation measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal, is recognised in profit or loss. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in OCI are reclassified to profit or loss where appropriate. Changes in investor's interest in other component of equity in such cases are being directly recognised in Equity.

When a group entity transacts with an associate of the Group, profit or losses resulting from the transactions with associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. Significant Accounting Policies

3.1 **Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured and there exists reasonable certainty of its recovery.

Interest

Interest income on financial instruments is recognised on a time proportion basis taking into account the amount outstanding and the effective interest rate applicable.

Effective Interest Rate ("EIR")

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets measured at FVTPL, transaction costs are recognised in profit or loss at initial recognition.

Interest income/Expenses is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets interest, income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)).

Dividend income

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

Fee and Commission Income

The Group recognises revenue from contract with customers based on five step model as set out in Ind AS 115, Revenue from Contracts with Customers to determine when to recognise revenue and at what amount.

Revenue is measured based on the consideration specified in the contract with a customers. Revenue from contracts with customers is recognised when services are provided and it is highly probable that a significant reversal of revenue is not expected to occur.

If the consideration promised in a contract includes a variable amount, the group estimates the amount of consideration to which it will be entitled in exchange for rendering the promised services to a customer. The amount of consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, or other similar items. The promised consideration can also vary if an entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event.

Rental Income

Income from operating leases are recognised in the statement of profit and loss as per the contractual rentals unless another systematic basis is more representative of the time pattern in which benefits derived from the leased assets.

Premium Income of Life Insurance Business

Premium income on Insurance contracts and Investment Contracts with Discretionary Participative Feature (DPF) is recognised as income when due from policyholders and as reduced for lapsation expected based on the experience of the Company. In case of linked business, premium income is accounted for when the associated units are created. Premium on lapsed policies is accounted for as income when such policies are reinstated.

Premium Income of General Insurance Business

Premium including Re-insurance accepted (net of service tax upto June 30, 2017, and net of Goods & Service Tax w.e.f. July 1, 2017) is recognized as income over the contract period or period of risk, as appropriate, after adjusting for unearned premium (unexpired risk). Any subsequent revisions to or cancellations of premiums

Notes forming part of the Consolidated Financial Statements (Continued)

are accounted for in the period in which they occur. Instalment cases are recorded on instalment due dates. Premium received in advance represents premium received prior to commencement of the risk.

Reinsurance Premium

Reinsurance premium ceded is accounted in the year in which the risk commences and over the period of risk in accordance with the treaty arrangements with the reinsurers. Re-insurance premium ceded on unearned premium is carried forward to the period of risk and is set off against related unearned premium. Any subsequent revisions to or cancellations of premiums are accounted for in the year in which they occur.

Premium on excess of loss Re-insurance cover is accounted as per the terms of the Re-insurance arrangements.

Other Income

Other Income represents income earned from the activities incidental to the business and is recognised when the right to receive the income is established as per the terms of the contract.

3.2 Financial Instruments

3.2.1 Recognition and Initial Measurement

Financial assets and liabilities, with the exception of loans, debt securities, deposits and borrowings are initially recognised on the trade date, i.e., the date that the Corporation becomes a party to the contractual provisions of the instrument. Loans are recognised when fund transfer is initiated or disbursement cheque is issued to the customer. The Corporation recognises debt securities, deposits and borrowings when funds are received by the Corporation.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs and revenues that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities measured at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs and revenues directly attributable to the acquisition of financial assets or financial liabilities measured at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Corporation will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

3.2.2 Classification and Subsequent Measurement of Financial Assets and Liabilities

3.2.2.1 Financial Assets

The Corporation classifies and measure all of its financial assets based on the business model for managing the assets and the asset's contractual terms, either at:

- Amortised cost
- Fair value through other comprehensive income ("FVOCI")
- FVTPL

Notes forming part of the Consolidated Financial Statements (Continued)

3.2.2.1.1 **Amortised Cost**

The Corporation classifies and measures cash and bank balances, Loans, Trade receivable, certain debt investments and other financial assets at amortised cost if following condition is met:

Financial Assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are SPPI, are subsequently measured at amortised cost.

3.2.2.1.2 **FVOCI**

The Corporation classifies and measures certain debt instruments at FVOCI when the investments is held within a business model, the objective of which is achieved by both, collecting contractual cash flows and selling the financial instruments and the contractual terms of the financial instruments meet the SPPI test.

The Corporation measures all equity investments at fair value through profit or loss, unless the Corporation's management has elected to classify irrevocably some of its equity investments as equity instruments at FVOCI, when such instruments meet the definition of Equity under Ind AS 32 Financial Instruments, Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

3.2.2.1.3 **FVTPL**

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on re-measurement recognised in profit or loss.

3.2.2.1.4 **Business Model Test**

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Corporation determines the business models at a level that reflects how financial assets are managed together to achieve a particular business objective. The Corporation's business model does not depend on management's intentions for an individual instrument; therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Corporation considers all relevant information available when making the business model assessment. The Corporation takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Corporation's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Corporation determines whether newly recognised financial assets are part of an existing business model or whether they reflect a new business model. The Corporation reassesses it's business model each reporting period to determine whether the business model have changed since the preceding period. For the current and prior reporting period the Corporation has not identified a change in its business model.

Notes forming part of the Consolidated Financial Statements (Continued)

3.2.2.1.5 **Solely Payments of Principal and Interest on the principal amount outstanding test ("SPPI")**

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that meet SPPI test.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI.

3.2.2.1.6 **Subsequent Measurement and Gain and Losses**

Financial Assets at Amortised Cost:

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment loss are recognised in statement of profit and loss. Any gain or loss on derecognition is recognised in statement of profit and loss.

Debt Instrument at FVOCI:

These assets are subsequently measured at fair value. Interest income and impairment loss are recognised in statement of profit and loss. Any gain or loss on subsequently measurement is recognised in OCI and on derecognition the cumulative gain or loss recognised in OCI will be recycled to statement of profit and loss.

Equity Instrument at FVOCI:

Gains and losses on equity instruments at FVOCI are never recycled to profit or loss. Dividends are recognised in profit or loss as dividend income when the right of the payment has been established, except when the Corporation benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial Assets at FVTPL:

These assets are subsequently measured at fair value. Net gain and losses, including any interest or dividend income, are recognised in statement of profit and loss.

3.2.2.1.7 **Reclassifications**

If the business model under which the Corporation holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Corporation's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Corporation holds financial assets and therefore no reclassifications were made.

3.2.2.2 **Financial Liabilities and Equity Instruments**

3.2.2.2.1 **Classification as Debt or Equity**

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Corporation or a contract that will or may be settled in the Corporation's own equity instruments and is a non-derivative contract for which the Corporation is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Corporation's own equity instruments.

3.2.2.2.2 **Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recognised at the face value and proceeds received in excess of the face value are recognised as Securities Premium.

3.2.2.2.3 **Subsequent Measurement and Gain and Losses**

Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in statement of profit and loss. Any gain or loss on derecognition is recognised in statement of profit and loss.

3.2.3 **Impairment and Write-off**

The Corporation recognises loss allowances for Expected Credit Losses on the following financial instruments that are not measured at FVTPL:

- Loans and advances to customers;
- Debt instruments measured at amortised cost and at FVOCI;
- Lease receivables;
- Loan commitments issued;
- Financial guarantee; and
- Other Assets.

Equity instruments are measured at fair value and not subject to impairment loss.

ECL is required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. the portion of lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Lifetime ECL, i.e. lifetime ECL that results from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECL are measured at an amount equal to the 12-month ECL.

The Corporation has established policy to perform an assessment at the end of each reporting period whether a financial instrument's credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instruments.

Based on the above process, the Corporation categorises its loans into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1: When loans are first recognised, the Corporation recognises an allowance based on 12 month ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 to Stage 1.

Notes forming part of the Consolidated Financial Statements (Continued)

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Corporation records an allowance for the life time expected credit losses. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3 to Stage 2.

Stage 3: When loans are considered credit-impaired, the Corporation records an allowance for the life time expected credit losses.

For financial assets for which the Corporation has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

3.2.3.1 Measurement of Expected Credit Losses

The Corporation calculates ECL based on probability-weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the portfolio EIR. A cash shortfall is the difference between the cash flows that are due to the Corporation in accordance with the contract and the cash flows that the Corporation expects to receive.

When estimating ECL for undrawn loan commitments, the Corporation estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

Corporation's ECL for financial guarantee is estimated based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the interest rate relevant to the exposure.

The Corporation measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities after considering the credit conversion factor (for Stage 1 and Stage 2 assets), and accrued interest from missed payments.
- Probability of Default (PD) is the probability of whether borrowers will default on their obligations which is calculated based on historical default rate summary of past years using origination vintage analysis.
- Loss Given Default (LGD) is an estimate of the loss from a financial asset given that a default occurs. The LGD is computed using a "Workout approach" based on the Corporation's own loss and recovery experience. It is usually expressed as a percentage of the EAD.

3.2.3.2 Significant Increase in Credit Risk

The Corporation monitors all financial assets, including loan commitments and financial guarantee contracts issued that are subject to impairment requirements, to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Corporation measures the loss allowance based on lifetime rather than 12-month ECL. The Corporation's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Corporation monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Corporation compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Corporation considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However the Corporation still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending there is particular focus on assets that are included on a 'watch list'. Given an exposure is on a watch list once, there is a concern that the creditworthiness of the specific counterparty has deteriorated. ECL assessment for watch list accounts is done on a case by case approach after considering the probability of weighted average in different recovery scenario. For individual loans the Corporation considers the expectation of forbearance, payment holidays and events such as unemployment, bankruptcy, divorce or death.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD is more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when a financial asset becomes 30 days past due, the Corporation considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

3.2.3.3 **Credit Impaired Financial Assets**

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event. Instead the combined effect of several events may have caused financial assets to become credit-impaired. The Corporation assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Corporation considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition. The definition of default includes unlikeliness to pay indicators and a back-stop if amounts are overdue for 90 days or more.

Notes forming part of the Consolidated Financial Statements (Continued)

3.2.3.4 **Definition of Default**

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL.

The Corporation considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Corporation; or
- the borrower is unlikely to pay its credit obligations to the Corporation in full.

When assessing if the borrower is unlikely to pay its credit obligation, the Corporation takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not as relevant for individual lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

3.2.3.5 **Write-off**

Loans and debt securities are written off when the Corporation has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Corporation determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Corporation may apply enforcement activities to financial assets written off. Recoveries resulting from the Corporation's enforcement activities could result in impairment gains.

3.2.4 **Modification and Derecognition of Financial Assets**

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Corporation renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. Loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

When a financial asset is modified the Corporation assesses whether this modification results in derecognition. In accordance with the Corporation's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Corporation considers the following:

Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then; a quantitative assessment is performed to compare the presen value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original EIR. If the significant difference in present value, the Corporation deems the arrangement is substantially different leading to derecognition.

In the case where the financial asset is derecognised the loss allowances for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms may lead to a gain or loss on derecognition. The new financial asset may have a loss allowance measured based on 12-month ECL except where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Corporation monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Corporation determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms;
- The remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified, where modification does not result in derecognition, the estimate of PD reflects the Corporation's ability to collect the modified cash flows taking into account the Corporation's previous experience of similar forbearance action, as well as various behavioral indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance is continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans is generally measured based on 12-month ECL when there is evidence of the borrower's improved repayment behavior following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Corporation calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Corporation measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Corporation derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Notes forming part of the Consolidated Financial Statements (Continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Corporation retains an option to repurchase part of a transferred asset), the Corporation allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

3.2.5 Derecognition of Financial Liabilities

The Corporation derecognises financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.2.6 Collateral Valuation and Repossession

To mitigate the credit risk on financial assets, the Corporation seeks to use collateral, where possible as per the powers conferred on the HFC under SARFAESI act. The Corporation provides fully secured, partially secured and unsecured loans to individuals and Corporates.

In its normal course of business, the Corporation does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet and not treated as non-current assets held for sale.

3.2.7 Transfer and Servicing of Assets

The Corporation transfers loans through securitisation and direct assignment transactions. The transferred loans are de-recognised and gains/losses are accounted for, only if the Corporation transfers substantially all risks and rewards specified in the underlying assigned loan contract. In accordance with the Ind AS 109, on de-recognition of a financial asset under assigned transactions, the difference between the carrying amount and the consideration received are recognised in the Statement of Profit and Loss.

The Corporation recognises either a servicing asset or a servicing liability for servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing activities, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing activities, a servicing asset is recognised. Corresponding amount is recognised in Statement of Profit and Loss.

3.2.8 Derivative Financial Instruments

The Corporation enters into a variety of derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. Derivative held include foreign exchange forward contracts, interest rate swaps, cross currency interest rate swaps and foreign exchange option contracts.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognised in profit or loss immediately unless the derivative is designated and is effective as a hedging instrument, in

Notes forming part of the Consolidated Financial Statements (Continued)

which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Corporation designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge Accounting

The Corporation makes use of derivative instruments to manage exposures to interest rate and foreign currency. In order to manage particular risks, the Corporation applies hedge accounting for transactions that meet specified criteria.

At the inception of a hedge relationship, the Corporation formally designates and documents the hedge relationship to which the Corporation wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Corporation's risk management objective and strategy for undertaking hedge, the hedging / economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the Corporation would assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the criteria for hedge accounting are accounted for, as described below:

Fair Value Hedges

Fair value hedges hedge the exposure to changes in the fair value of a recognised asset or liability, or an identified portion of such an asset, liability, that is attributable to a particular risk and could affect profit or loss.

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the statement of profit and loss in net gain on fair value changes. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the balance sheet and is also recognised in the statement of profit and loss in net gain on fair value changes.

The Corporation classifies a fair value hedge relationship when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. The financial instruments hedged for interest rate risk in a fair value hedge relationship fixed rate debt issued and other borrowed funds. If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. If the relationship does not meet hedge effectiveness criteria, the Corporation discontinues hedge accounting from the date on which the qualifying criteria are no longer met. For hedged items recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item on termination of the hedge accounting relationship is amortised over the remaining term of the original hedge using the recalculated EIR method by recalculating the EIR at the date when the amortisation begins. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statement of profit and loss.

Cash Flow Hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and could affect profit or loss.

Notes forming part of the Consolidated Financial Statements (Continued)

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in Finance Cost in the profit and loss statement.

When the hedged cash flow affects the statement of profit and loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the statement of profit and loss.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in OCI at that time remains in OCI and is recognised when the hedged forecast transaction is ultimately recognised in the statement of profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the statement of profit and loss.

3.2.9 Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Corporation are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with Ind AS 109; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Corporation's revenue recognition policies.

The Corporation has not designated any financial guarantee contracts as FVTPL.

3.3 Property, Plant and Equipment ("PPE")

PPE held for use are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment losses.

PPE is recognised when it is probable that future economic benefits associated with the item is expected to flow to the Corporation and the cost of the item can be measured reliably. PPE is stated at original cost net of tax/duty credits availed, if any, less accumulated depreciation and cumulative impairment, if any. Cost includes professional fees related to the acquisition of PPE.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.4 Investment Property

Investment properties are properties held to earn rentals and/or capital appreciation and are measured and reported at cost, including transaction costs.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of property is recognised in the Statement of Profit and Loss in the same period.

3.5 **Intangible Assets**

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the Corporation and the cost of the asset can be measured reliably. Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment, except for Goodwill on Consolidation (refer note 2.7). Administrative and other general overhead expenses that are specifically attributable to acquisition of intangible assets are allocated and capitalised as a part of the cost of the intangible assets.

Intangible assets not ready for the intended use on the date of Balance Sheet are disclosed as "Intangible assets under development".

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

3.6 **Capital Work-in-Progress**

Capital work-in-progress includes assets not ready for the intended use and are carried at cost, comprising direct cost and related incidental expenses.

3.7 **Depreciation and Amortisation**

Depreciation is recognised using straight line method so as to write off the cost of the assets (other than freehold land) less their residual values over their estimated useful lives specified in Schedule II to the Act, or in case of assets where the estimated useful life was determined by technical evaluation, over the useful life so determined. Depreciation method is reviewed at each financial year end to reflect expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life and residual values are also reviewed at each financial year end with the effect of any change in the estimates of useful life/residual value is recognised on prospective basis.

Depreciation for additions to/deductions from, owned assets is calculated pro rata to the period of use.

Freehold land is not depreciated. Leasehold land is amortised over the duration of the lease. The useful life of the property, plant and equipment held by the Corporation is as follows:

Class of assets	Useful life
Buildings	60 years
Computer Hardware*	4 years
Furniture & Fittings	10 years
Office Equipment	5 years
Vehicles*	5 years
Computer Software*	4 years

** For the above class of assets, based on internal assessment and independent technical evaluation carried out by external valuers, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence, the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II of the Act.*

Intangible assets are amortised on straight line basis over the estimated useful life of 4 years. The method of amortisation and useful life are reviewed at the end of each accounting year with the effect of any changes in the estimate being accounted for on a prospective basis.

Notes forming part of the Consolidated Financial Statements (Continued)

3.8 **Impairment of Assets other than Financial Instruments**

As at the end of each accounting year, the Corporation reviews the carrying amounts of its PPE, investment property and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the PPE, investment property and intangible assets are tested for impairment so as to determine the impairment loss, if any.

3.9 **Employee Benefits**

3.9.1 **Share-based Payment Arrangements**

The stock options granted to employees pursuant to the Corporation's Stock Options Schemes, are measured at the fair value of the options at the grant date using Black Scholes Model. The fair value of the options determined at grant date is treated as discount and accounted as employee compensation cost over the vesting period on a straight line basis over the period of option, based on the number of grants expected to vest, with corresponding increase in equity.

3.9.2 **Defined Contribution Plans**

Superannuation Fund

The Corporation's contribution to superannuation fund is considered as a defined contribution plan and is charged as an expense based on the amount of contribution required to be made.

3.9.3 **Defined Benefit Plans**

Provident Fund

All employees of the Corporation are entitled to receive benefits under the Provident Fund. The Corporation makes a contribution to provident fund and the schemes thereunder, as recognised by the Income-tax authorities and administered by various trustees. The contributions are recognised as an expense in the year in which they are incurred. The Rules of the Corporation's Provident Fund administered by a Trust require that if the Board of Trustees is unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Corporation. Actuarial valuation of this Provident Fund interest shortfall is done as per the guidance note issued in this respect by The Institute of Actuaries of India (IAI) and provision towards this liability, if any is recognised.

Gratuity and Other Post Retirement Benefits

For defined benefit plans in the form of gratuity fund and post retirement pension scheme for whole-time Directors, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Remeasurements are recognised in the Other Comprehensive Income in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of planned assets.

Short-term Employee Benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

Long-term Employee Benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date, based on actuarial valuation.

3.10 **Scheme and Commission Expenses**

Certain scheme related expenses and commission paid to distributors were being borne by one of the subsidiary company till October 22, 2018. These expenses have been charged in accordance with applicable circulars and guidelines issued by Securities and Exchange Board of India ("SEBI") and Association of Mutual Funds in India and have been presented under the respective expense heads in the Statement of Profit and Loss.

Any brokerage or commission paid by the one of the subsidiary in line with the applicable regulations is being amortised over the contractual period.

Pursuant to circulars issued by SEBI in this regard, with effect from October 22, 2018, all of these expenses, subject to certain minor exceptions, are being borne by the respective schemes.

New Fund Offer expenses on the launch of schemes are borne by one of the subsidiary and recognised in the Statement of Profit and Loss as and when incurred.

3.11 **Leases**

The determination of whether an agreement is, or contains, a lease is based on the substance of the agreement at the date of inception.

Operating Leases

Transition

Effective April 1, 2019 the Corporation has adopted Ind AS 116 - Leases, which requires any lease arrangement to be recognised in the balance sheet of the lessee as a 'right-of-use' asset with a corresponding lease liability. Accordingly depreciation has been charged on such assets as against lease rental expenses in the previous year. Similarly interest expense has been recognised on lease liabilities under finance costs. As permitted by the standard, the Corporation has applied this standard w.e.f. April 1, 2019 and comparatives for the previous period / year have not been restated.

The Corporation as Lessee

The Corporation's lease asset classes primarily consist of leases for office premises. The Corporation assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

- the contract involves the use of an identified asset
- the Corporation has substantially all of the economic benefits from use of the asset through the period of the lease and
- the Corporation has the right to direct the use of the asset.

At the date of commencement of the lease, the Corporation recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee.

The 'right-of-use' asset has been included under the line 'Property, Plant and Equipment' and lease liability has been included under 'Other Financial Liabilities'.

Notes forming part of the Consolidated Financial Statements (Continued)

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Corporation changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

The Corporation as Lessor

Leases for which the Corporation is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

For operating leases, rental income is recognized on a straight line basis over the term of the relevant lease.

3.12 Dividends on Ordinary Shares

The Corporation recognises a liability to make cash to equity holders of the Corporation when the dividend is authorised and the distribution is no longer at the discretion of the Corporation. As per the corporate laws in India, an interim dividend is authorised when it is approved by the Board of Directors and final dividend is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

3.13 Cash and Cash Equivalents

Cash comprises of cash on hand and demand deposits with banks. Cash equivalents are short-term deposits with banks (with an original maturity of three months or less from the date of placement) and cheques on hand. Short term and liquid investments being subject to more than insignificant risk of change in value, are not included as part of cash and cash equivalents.

3.14 Securities Premium Account

Securities premium is credited when shares are issued at premium. It can be used to issue bonus shares, to provide for premium on redemption of shares and issue expenses of securities which qualify as equity instruments.

3.15 Borrowing Costs

Borrowing costs include interest expense calculated using the EIR on respective financial instruments measured at amortised cost, finance charges in respect of assets acquired on finance lease and exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest costs.

3.16 Deferred Acquisition Cost (DAC)/Deferred Origination Fees (DOF)

Incremental costs incurred during the financial year on acquiring or renewing of investment contracts without

Notes forming part of the Consolidated Financial Statements (Continued)

Discretionary Participating Feature are deferred and amortized over the life of the policy contracts as the related revenue is recognized, to the extent that these costs are recoverable out of future premiums.

Initial and other front-end fees received for rendering future investment management services relating to investment contracts without Discretionary Participating Feature, are deferred and recognized as revenue when the related services are rendered.

3.17 **Claims Incurred**

Claims incurred comprises of claims paid (net of salvage and other recoveries), change in estimated liability for outstanding claims made following a loss occurrence reported, change in estimated liability for claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) and specific settlement costs comprising survey, legal and other directly attributable expenses.

Provision is made for estimated value of outstanding claims at the Balance Sheet date. Such provision is made on the basis of the ultimate amounts that are likely to be paid on each claim, established by the management in light of past experience and progressively modified for changes as appropriate, on availability of further information and include claim settlement costs likely to be incurred to settle outstanding claims.

Claims are recognised on the date of intimation based on estimates from surveyors/insured in the respective revenue accounts.

The estimated liability for claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) has been estimated by the Appointed Actuary in compliance with applicable provisions of Guidance Note 21 issued by the Institute of Actuaries of India. The Appointed Actuary has used generally accepted actuarial methods for each product category as considered appropriate depending upon the availability of past data as well as appropriateness of the different methods to the different lines of businesses. The above elements of estimates of liability for claims are periodically reviewed by the Appointed Actuary and adjusted based on recent experience and emerging trends.

3.18 **Acquisition Costs**

Acquisition costs are defined as costs that vary with, and are primarily related to the acquisition of new and renewal insurance contracts viz. commission. These costs are expensed in the period in which they are incurred.

3.19 **Commission Received**

Commission on Re-insurance ceded is recognised as income on ceding of Re-insurance premium.

Profit commission under Re-insurance treaties, wherever applicable, is recognised in the year of final determination of the profits and as intimated by the Reinsurer.

3.20 **Reserve for Unexpired Risk**

Reserve for unexpired risk represents that part of the net premium written which is attributable to and allocated to the succeeding accounting period. Reserve for unexpired risk is calculated on the basis of 1/365th method in all segment subject to a minimum of 100% in case of Marine Hull business and based on Net Premium Written during the year, whichever is higher as per Circular No. IRDA/F&A/CIR/CPM/056/03/2016 dated April 4, 2016.

3.21 **Premium Deficiency**

Premium deficiency is recognised for the Company as a whole on an annual basis. Premium deficiency is recognised if the sum of the expected claim costs, related expenses and maintenance cost (related to claims

Notes forming part of the Consolidated Financial Statements (Continued)

handling) exceeds related reserve for unexpired risk. The expected claim costs are calculated and duly certified by the Appointed Actuary.

3.22 **Salvage Recoveries**

Salvaged vehicles are recognised at net realizable value and are deducted from the claim settlement made against the same. Salvaged vehicles on hand are treated as stock-in-trade and are recognised at estimated net realizable value based on independent valuer's report.

3.23 **Foreign Currencies**

Functional currency of the Corporation and foreign operations has been determined based on the primary economic environment in which the Corporation and its foreign operations operate considering the currency in which funds are generated, spent and retained.

Transactions in currencies other than the Corporation's functional currency are recorded on initial recognition using the exchange rate at the transaction date. At each Balance Sheet date, foreign currency monetary items are reported at the rates prevailing at the year-end. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing spot rate are recognised in the Statement of Profit and Loss in the period in which they arise except for the Long Term Monetary Items outstanding as at March 31, 2019, for which differences are recognized in FCMITDA & amortised in Profit & Loss statement.

3.24 **Segments**

The Corporation's main business is financing by way of loans for the purchase or construction of residential houses, commercial real estate and certain other purposes in India, Life Insurance business, General Insurance business and Asset Management business. All other activities of the Corporation revolve around these main businesses.

3.25 **Earnings per Share**

Basic earnings per share are computed by dividing net income by the weighted average number of shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of shares and dilutive potential shares, except where the result would be anti-dilutive.

3.26 **Taxes on Income**

Income tax expense comprises current and deferred taxes. Income tax expense is recognized in the Statement of Profit and Loss except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case tax is also recognized outside profit or loss.

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, and unutilized business loss and depreciation carry-forwards and tax credits. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses, depreciation carry-forwards and unused tax credits could be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date, and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Notes forming part of the Consolidated Financial Statements (Continued)

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

Significant accounting estimates and judgements are involved in determining Corporation's tax charge for the year which includes an interpretation of local tax laws, judicial pronouncements and an assessment whether the tax authorities will accept the position taken. These judgements, also, take account of external advice, wherever appropriate, and the Corporation's view on settling with the tax authorities.

The Corporation provides for current tax liabilities at the best estimate that is expected to be paid to the tax authorities where an outflow is probable. In making these estimates, the Corporation assumes that the tax authorities will examine all the amounts reported to them and have full knowledge of all the relevant information.

3.27 **Goods and Services Input Tax Credit**

Goods and Services tax input credit is recognised for in the books in the period in which the supply of goods or service received is recognised and when there is no uncertainty in availing/utilising the credits.

3.28 **Provisions and Contingent Liabilities**

Provisions are recognised only when:

- The Corporation has a present obligation (legal or constructive) as a result of a past event; and
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

Provision is measured using the cash flows estimated to settle the present obligation and when the effect of time value of money is material, the carrying amount of the provision is the present value of those cash flows.

Contingent liability is disclosed in case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation; and
- A present obligation arising from past events, when no reliable estimate is possible.

Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contract, the present obligation under the contract is recognised and measured as a provision.

3.29 **Contingent Assets**

Contingent assets are not recognised in the financial statements. Contingent assets are disclosed where an inflow of economic benefits is probable. Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

3.30 **Reinsurance Assets**

Reinsurance Asset, being net contractual rights receivable under re-insurance contract, has been recognized on the basis of Actuarial valuation involving assumption about the future. The assumptions include the

Notes forming part of the Consolidated Financial Statements (Continued)

determination of the discount rate, mortality rates etc. All assumptions are reviewed at each reporting date. This also includes the balances due from reinsurance companies which are accounted for in the period in which the related claims are intimated.

3.31 **Insurance Contract Liabilities**

The actuarial liabilities, for all inforce policies and policies where premiums are discontinued but a liability exists as at the valuation date, are calculated in accordance with the generally accepted actuarial principles and practices, requirements of Insurance Act, 1938, as amended from time to time including amendment brought by the Insurance Laws (Amendment) Act, 2015, regulations notified by the IRDAI and Actuarial Practice Standard (APS) issued by the Institute of Actuaries of India with the concurrence of the IRDAI.

A brief of the methodology used is as given below:

3.31.1 The policy liabilities are valued on policy by policy basis, i.e. each policy is valued separately.

3.31.2 The reserves for linked business (individual and group) comprises of unit reserves and non-unit reserves. The unit reserves are determined on the basis of NAV of the units outstanding as at the valuation date and non-unit reserves are calculated using gross premium method.

3.31.3 The liabilities for individual non-linked non-participating and participating business are calculated using gross premium method and are subject to the minimum floor of surrender value. Additionally, individual non-linked participating policies also have a reference to the asset share of policies at valuation date.

3.31.4 The liabilities for one year renewable group protection business are calculated on the unexpired risk premium basis. For other than one year renewable group protection business, the liabilities are calculated using gross premium valuation method.

3.31.5 The liabilities for the group non-linked savings products are determined as the higher of policy account balances (including accrued interest/bonuses) and reserves calculated by gross premium valuation method.

3.31.6 The liabilities in respect of rider benefits are determined as the higher of unexpired premium reserves and reserves calculated by gross premium valuation method.

3.31.7 Additional reserves are determined to:

- allow for the claims that may have occurred already but not yet reported (Incurred But Not Reported).
- allow for the servicing of existing policies if the Company were to close the new business one year from the valuation date (Closure to New Business).
- meet the expected liabilities that would arise on the revival of lapsed policies on the basis of the proportion of the policies expected to be revived based on the revival experience of the Company (Revival Reserve).
- allow for the additional amount required to be paid on account of cancellation of policies due to look in, on the basis of the proportion of the policies expected to exercise the look-in option based on the experience of the Company (Look in Reserve).
- allow for the cost of guarantees, wherever applicable.

3.32 **Commitments**

Commitments are future liabilities for contractual expenditure, classified and disclosed as follows:

- Estimated amount of contracts remaining to be executed on capital account and not provided for;
- Uncalled liability on shares and other investments partly paid;

- Funding related commitment to associate and joint venture companies; and
- Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

3.33 **Non-Current Assets held for sale**

Non-current assets are classified as held for sale if their carrying amount is intended to be recovered principally through a sale (rather than through continuing use) when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset and the sale is highly probable and is expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at lower of their carrying amount and fair value less costs to sell.

3.34 **Statement of Cash Flows**

Statement of Cash Flows is prepared segregating the cash flows into operating, investing and financing activities. Cash flow from operating activities is reported using indirect method adjusting the net profit for the effects of:

- changes during the period in operating receivables and payables transactions of a non-cash nature;
- non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses; and
- all other items for which the cash effects are investing or financing cash flows.

Cash and cash equivalents (including bank balances) shown in the Statement of Cash Flows exclude items which are not available for general use as on the date of Balance Sheet.

3.35 **COVID-19 Regulatory Package**

On March 11, 2020, the World Health Organisation declared the novel coronavirus (COVID-19) as a pandemic. Besides the toll that this outbreak has had on human life, it has also disrupted the social, economic and financial structures of the entire world. In India, from March 25, 2020 to May 31, 2020, the central government declared a national lockdown, restricting the movement of the entire population of the country as a preventive measure against the spread of COVID-19.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020, April 17, 2020, the Corporation has offered a moratorium on the payment of instalments falling due between March 1, 2020 and May 31, 2020 (‘moratorium period’) to eligible borrowers.

The IRDAI vide Circular No. IRDAI/NL/CIR/MOT/081/04/2020 dated April 3, 2020 has provided clarifications on its Circular No. IRDAI/NL/CIR/MOT/079/04/2020 dated April 2, 2020 issued in relation to accounting of premium on the Motor third party liability cases falling due for renewal during the lockdown period (March 25, 2020 to April 14, 2020)(subsequently extended to May 3, 2020) as a result of COVID-19 pandemic.

There remains a high level of uncertainty about the duration of the lockdown and the time required for life and business operations to normalise. The extent to which the COVID-19 pandemic will impact the Corporation’s business and financial statement is at this juncture, dependent on future developments, which are highly uncertain.

Notes forming part of the Consolidated Financial Statements (Continued)

4. Cash and Cash Equivalents

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
(i) Cash on hand	**8.91**	1.35
(ii) Balances with banks:		
- In Current Accounts	**4,475.89**	1,885.82
- In Deposit accounts with original maturity of 3 months or less	**653.79**	901.58
(iii) Cheques, drafts on hand	**59.87**	394.56
Total	**5,198.46**	3,183.31

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Corporation, and earn interest at the respective short-term deposit rates.

5. Bank Balances other than Cash and Cash Equivalents

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
(i) In other Deposit accounts		
- original Maturity more than 3 months	**185.92**	1,179.39
(ii) Earmarked balances with banks		
- Unclaimed Dividend Account	**24.79**	28.99
- Other - Against Foreign Currency Loans [Refer Note 20.2]	**91.40**	113.76
- Towards Guarantees Issued by Banks	**0.96**	31.09
Total	**303.07**	1,353.23

Fixed deposit with banks earns interest at fixed rate or floating rates based on daily bank deposit rates.

6. Trade Receivables and other Receivables

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Trade receivables considered good - Unsecured	**336.48**	612.00
Less: Provision for Expected Credit Loss	**0.17**	0.01
Net Trade receivables	**336.31**	611.99
Other receivables - considered good - Unsecured	**6.58**	28.60
Total	**342.89**	640.59

No trade or other receivable are due from directors or other officers of the Corporation either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

There are no receivables for which there has been a significant increase in credit risk or which have become credit impaired.

Notes forming part of the Consolidated Financial Statements (Continued)

7. Derivative Financial Instruments

The Corporation enters into derivatives for risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges.

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts.

The notional amounts indicate the value of transactions outstanding at the year end and are not indicative of either the market risk or credit risk.

₹ in Crore

Particulars	As at March 31, 2020			As at March 31, 2019		
	Notional Amounts*	Fair Value - Assets	Fair Value - Liabilities	Notional Amounts*	Fair Value - Assets	Fair Value - Liabilities
Part I						
(i) Currency derivatives:						
- Forwards	12,391.25	485.00	-	3,176.82	7.42	100.71
- Currency swaps - Principal Only Swaps	19,026.58	2,119.23	60.10	12,826.93	311.74	63.93
- Options purchased (net)	11,007.12	856.31	-	6,757.73	122.20	0.11
Sub Total (i)	**42,424.95**	**3,460.54**	**60.10**	22,761.48	441.36	164.75
(ii) Interest rate derivatives						
- Interest Rate Swaps	70,698.38	2,297.52	34.17	55,650.00	962.00	-
- Options purchased (net)	12,750.40	-	260.57	-	-	-
Sub Total (ii)	**83,448.78**	**2,297.52**	**294.74**	55,650.00	962.00	-
Total Derivative Financial Instruments (i)+(ii)	**1,25,873.73**	**5,758.06**	**354.84**	78,411.48	1,403.36	164.75
Part II						
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:						
(i) Fair value hedging:						
- Currency derivatives	-	-	-	-	-	-
- Interest rate derivatives	65,300.00	2,297.52	-	55,650.00	962.00	
Sub Total (i)	**65,300.00**	**2,297.52**	-	55,650.00	962.00	-
(ii) Cash flow hedging:						
- Currency derivatives	47,066.63	3,460.54	73.52	22,761.48	441.36	164.75
- Interest rate derivatives	13,507.10	-	281.32	-	-	-
Sub Total (ii)	**60,573.73**	**3,460.54**	**354.84**	22,761.48	441.36	164.75
(iii) Undesignated Derivatives						
- Currency Swaps	-	-	-	-	-	-
- Forwards	-	-	-	-	-	-
Sub Total (iii)	-	-	-	-	-	-
Total Derivative Financial Instruments (i)+(ii)	**1,25,873.73**	**5,758.06**	**354.84**	78,411.48	1,403.36	164.75

*Notional amounts of the respective currencies have been converted at March 31, 2020 and March 31, 2019 exchange rate.

7.1 The Corporation has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Corporation has reviewed and ensured that adequate provision as required under Ind AS for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of accounts.

7.2 Refer note 49.1.6 For Foreign currency risk.

Notes forming part of the Consolidated Financial Statements (Continued)

8. Loans

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Loans:		
Individual Loans	3,31,469.34	3,09,406.30
Corporate Bodies	1,18,165.46	1,11,139.28
Others	6,815.22	7,760.37
Staff Loans	33.38	29.91
Total – Gross (A)	**4,56,483.40**	4,28,335.86
Less: Impairment Loss allowance (Expected Credit Loss)	10,987.24	5,972.03
Total – Net (A)	**4,45,496.16**	4,22,363.83
(a) Secured by tangible assets	4,30,040.58	4,08,881.03
(b) Secured by intangible assets	9,068.14	9,159.21
(c) Covered by bank and government guarantee	930.75	1,169.59
(d) Unsecured	16,443.93	9,126.03
Total – Gross (B)	**4,56,483.40**	4,28,335.86
Less: Impairment Loss allowance (Expected Credit Loss)	10,987.24	5,972.03
Total – Net (B)	**4,45,496.16**	4,22,363.83
(I) Loans in India		
(i) Public Sector	1,142.63	1,385.99
(ii) Others	4,55,340.77	4,26,949.87
Total (C) - Gross	**4,56,483.40**	4,28,335.86
Less: Impairment Loss allowance (Expected Credit Loss)	10,987.24	5,972.03
Total (C) (I) - Net	**4,45,496.16**	4,22,363.83
(II) Loans outside India		
Less: Impairment Loss allowance (Expected Credit Loss)	-	-
Total (C) (II) - Net	-	-
Total (C) (I) and (II)	**4,45,496.16**	4,22,363.83

8.1 Loans granted by the Corporation are secured or partly secured by one or a combination of the following securities;

1. Registered/equitable mortgage of property;
2. Non disposal undertakings in respect of shares, pledge of shares, units, other securities, assignment of life insurance policies;
3. Hypothecation of assets;
4. Bank guarantees, company guarantees or personal guarantees;
5. Negative lien;
6. Assignment of receivables;
7. Liquidity Support. Collateral [e.g. DSRA (Debt Service Reserve Account), Lien of Fixed Deposit]

There were no loans given against the collateral of gold jewellery.

8.2 Loans include ₹ **467.16 Crore** (Previous Year ₹ 491.50 Crore) in respect of properties held for disposal under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

Notes forming part of the Consolidated Financial Statements (Continued)

8.3 **Expected Credit Loss**

Expected Credit loss is a calculation of the present value of the amount expected not to be recovered on a financial asset, for financial reporting purposes. Credit risk is the potential that the obligor and counterparty will fail to meet its financial obligations to the lender. This requires an effective assessment and management of the credit risk at both individual and portfolio level.

The key components of Credit Risk assessment are:

a. Probability of Default (PD): represents the likelihood of default over a defined time horizon.

b. Exposure at Default (EAD): represents the gross exposure at the time of default.

c. Loss Given Default (LGD): represents the proportion of EAD that is likely loss post-default.

The definition of default is taken as more than 90 days past due for all individual loans, corporate loans and others.

Delinquency buckets have been considered as the basis for the staging of all loans with:

a. 0-30 days past due loans classified as stage 1

b. 31-90 days past due loans classified as stage 2 and

c. > 90 days past due loans classified as stage 3

EAD is the total amount outstanding including accrued interest as on the reporting date. The ECL is computed as a product of PD, LGD and EAD.

Macro Economic variables

Macro-economic variables relevant to the underlying loan portfolio such as Gross Domestic Product, inflation, Housing price index (HPI), lending rate (repo rate) and the equity indices were analysed for their correlations. The correlation was minimal and the same was not considered in the ECL framework.

One of the subsidiary company operates using internal rating models. The company runs separate models for its portfolio in which the customers are rated from ‘Standard’ to ‘NPA’ using internal grades.

COVID-19

Further, the Corporation has also evaluated its individual and non-individual portfolio to determine any specific category of customers which may reflect higher credit losses (e.g. based on specific sectors) or where the recoveries may be affected due to potential reduction in valuation of the collaterals (e.g. type of collateral, customers where recoveries were expected through realisation of collaterals only etc.). Basis such determination, the Corporation has recognised provisions as management overlay for specific categories of customers identified or recognised additional provisions for specific customers where provisions were originally recognised based on recoverable value of underlying collaterals, as applicable.

Ageing of accounts opting for moratorium and moving into Stage 3 (based on days past due status as of 31 March 2020) has been determined with reference to position as of 29 February 2020.

Credit quality of Individual Loan Assets:

The Corporation has classified all individual loans as amortized cost and has assessed it at the collective pool level.

The individual loan book has been divided into the housing and non-housing sub portfolios.

Notes forming part of the Consolidated Financial Statements (Continued)

The vintage analysis methodology has been used to create the PD term structure which incorporates both 12 month (Stage 1 Loans) and lifetime PD (Stage 2 Loans).

The vintage analysis captures a vintage default experience across a particular portfolio by tracking the yearly slippages from advances originating in a particular year. The vintage slippage experience/default rate is then used to build the PD term structure.

The vintage analysis methodology has been used to create the LGD vintage. The LGD vintage takes into account the recovery experience across accounts of a particular portfolio post default. The recoveries are tracked and discounted to the date of default using the interest rate. The housing and non-housing portfolio has been considered together for the LGD computation.

Credit quality of Corporate Loan Assets:

Measurement of ECL for stage 1 and certain stage 2 non individual / corporate loans is based on portfolio approach where PD and LGD is calculated based on historic performance of the portfolio further segmented into: i) Corporate Finance ii) Construction Finance iii) Lease Rental Discounting iv) Inter-Corporate Deposits. Certain loans classified as stage 2 and all the loans classified as Stage 3 are assessed for ECL provisioning based on case to case approach by calculating probability weighted average cashflows under different recovery scenarios.

The 12 month PD has been applied on stage 1 loans. The PD term structure i.e. Lifetime PD has been applied on the stage 2 loans according to the repayment schedule for stage 2 loans and PD is considered to be 100% for stage 3 loans. PD has been separately calculated for each segment as described above.

The vintage analysis methodology has been used to create the LGD vintage for measurement of ECL, based on portfolio approach. The LGD vintage takes into account the recovery experience across accounts of a particular portfolio post default. The recoveries are tracked and discounted to the date of default using the effective interest rate.

The Corporation has identified certain non individual accounts as Watch List under Stage 2 based on the following criteria.

- Builders' Cash flows are insufficient to service the loan due to slow sales or the project is stalled.
- Borrowers' operational cashflows are insufficient indicating possibility of further delayed payments.
- Security cover is insufficient for repayment of loans.
- Where the borrowing company has been proceeded upon under Insolvency and Bankruptcy Code (IBC) by creditors and such reference has been admitted by the National Company Law Tribunal (NCLT).

Such accounts identified as watchlist are upgraded by the Corporation, where the management is satisfied that the risks associated with the account has abated.

In addition to the management overlays described above in relation to the impact of COVID-19, during the year, the management has recognised additional provisions towards overlay in relation to specific categories of individual customers e.g. customers associated with incomplete projects, impact of reduction in collateral value associated with specific Stage 3 customers, customers associated with projects covered by subvention schemes etc.

Further, during the year, the Corporation has also applied point in time method for determining probability of default in relation to computation of provision under expected credit loss model for non-individual customers.

HDFC

Notes forming part of the Consolidated Financial Statements (Continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to lending is, as follows:

₹ in Crore

Particulars	March 31, 2020				March 31, 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	**4,04,784.56**	**18,306.96**	**5,244.34**	**4,28,335.86**	3,59,897.00	17,080.30	4,767.04	3,81,744.34
Adjustment on account of scheme of amalgamation of GRUH Finance Ltd (a subsidiary) with Bandhan Bank	**(16,638.59)**	**(654.83)**	**(114.45)**	**(17,407.87)**	-	-	-	-
Increase in EAD - new assets originated or purchased / further increase in existing assets	**1,40,933.85**	**1,343.53**	**564.03**	**1,42,841.41**	1,43,780.59	694.11	445.35	1,44,920.05
Assets repaid in part or full (excluding write offs)	**(67,032.11)**	**(2,607.86)**	**(2,523.88)**	**(72,163.85)**	(68,012.93)	(2,945.74)	(1,561.60)	(72,520.27)
Assets Derecognised (Loans Assigned)	**(24,127.25)**	**-**	**-**	**(24,127.25)**	(25,150.00)	-	-	(25,150.00)
Assets written off	**-**	**-**	**(994.89)**	**(994.89)**	-	-	(658.25)	(658.25)
Transfers to Stage 1	**2,037.24**	**(1,744.93)**	**(292.31)**	**-**	4,446.10	(3,717.65)	(808.50)	(80.05)
Transfers to Stage 2	**(16,138.76)**	**16,317.31**	**(178.56)**	**(0.01)**	(9,070.51)	9,683.56	(484.16)	128.89
Transfers to Stage 3	**(1,809.66)**	**(6,154.86)**	**7,964.52**	**-**	(1,105.69)	(2,487.62)	3,544.46	(48.85)
Gross carrying amount closing balance	**4,22,009.28**	**24,805.32**	**9,668.80**	**4,56,483.40**	4,04,784.56	18,306.96	5,244.34	4,28,335.86

Note: Gross carrying amount includes undrawn balance on which ECL is computed.

Reconciliation of ECL balance is given below:

₹ in Crore

Particulars	March 31, 2020				March 31, 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
ECL allowance - opening balance	**263.62**	**3,152.32**	**2,556.09**	**5,972.03**	198.32	3,310.16	2,060.88	5,569.36
Adjustment on account of scheme of amalgamation of GRUH Finance Ltd (a subsidiary) with Bandhan Bank	**(20.01)**	**(15.87)**	**(83.69)**	**(119.57)**	-	-	-	-
ECL Remeasurements due to changes in EAD / assumptions [Net]	**867.45**	**3,345.10**	**1,916.86**	**6,129.41**	12.27	2.12	0.03	14.42
Assets Derecognised or repaid (excluding write offs)	**-**	**-**	**-**	**-**	(155.91)	866.49	354.31	1,064.89
Transfers to Stage 1	**132.04**	**(105.14)**	**(26.90)**	**-**	833.04	(810.22)	(23.66)	(0.84)
Transfers to Stage 2	**(821.92)**	**840.47**	**(18.55)**	**-**	(621.72)	705.73	(80.17)	3.84
Transfers to Stage 3	**(48.63)**	**(1,466.06)**	**1,514.70**	**0.01**	(3.53)	(923.13)	926.28	(0.38)
Amounts written off / other adjustments	**-**	**-**	**(994.64)**	**(994.64)**	1.15	1.17	(681.58)	(679.26)
ECL allowance - closing balance	**372.55**	**5,750.82**	**4,863.87**	**10,987.24**	263.62	3,152.32	2,556.09	5,972.03

Notes forming part of the Consolidated Financial Statements (Continued)

The Expected Credit Loss (ECL) shown above is computed on the Exposure At Default (EAD) which comprises of the Gross Carrying Amount adjusted for the following amounts:

₹ in Crore

Particulars	As on March 31, 2020	As on March 31, 2019
EMI / Interest Amounts Received in Advance	**(195.51)**	(180.58)
Undisbursed Loan Component (after applying Credit Conversion Factor)	**20,211.37**	19,695.60
Financial Guarantees	**384.86**	534.98

During the year provisioning against ECL has been enhanced keeping in mind the real-estate scenario in the country. All stressed assets were reviewed constantly during the year by senior management and suitable ECL enhancements were made wherever required. Further, by way of sensitisation to any possible COVID-19 related stress to real estate prices, ECL was further reviewed and strengthened in the fourth quarter by making forward looking adjustments to valuation of securities in stressed assets.

Summary of Impairment loss allowance (Expected Credit Loss) ₹ in Crore

Particulars	Stage 1	Stage 2	Stage 3	Total
March 31, 2020	**372.55**	**5,750.82**	**4,863.87**	**10,987.24**
March 31, 2019	263.62	3,152.32	2,556.09	5,972.03

Stage 1 - Loss allowance measured at 12 month expected credit losses.

Stage 2 and 3 - Loss allowance measured at life-time expected credit losses.

8.4 Concentration of Exposure

₹ in Crore

Particulars	As on March 31, 2020	As on March 31, 2019
Total Loans and Advances to twenty largest borrowers *	**52,119.15**	43,051.80
Percentage of Loans & Advances to twenty largest borrowers to Total advances of the Corporation	**11.70%**	9.71%

* Loans (principal outstanding, undrawn loan commitment, financial guarantees and inter corporate deposits) outstanding as on date has been considered for the computation of concentration of exposure.

9. Investment in Associates

The Group's interest in material associates are:

Name of the Associate	Principal place of business	Nature of Business	Method of accounting	Proportion of stake	
				As at March 31, 2020	As at March 31, 2019
HDFC Bank Limited	India	Banking	Equity Method	21.24%	21.38%
Truenorth Ventures Private Limited	India	Venture Capital	Equity Method	21.51%	21.51%
Good Host Spaces Private Limited (w.e.f. August 24, 2018)	India	Hospitality	Equity Method	25.01%	25.01%
Magnum Foundations Private Limited	India	Real estate	Equity Method	50.00%	50.00%

Notes forming part of the Consolidated Financial Statements (Continued)

Summarised financial information in respect of Group's material associates along with reconciliation of the same to the carrying amount of the interest in associates is set out below:

₹ in Crore

Particulars (as at March 31, 2020)	GRUH Finance Ltd	HDFC Bank Limited	Truenorth Ventures Private Limited	Good Host Spaces Private Limited	Total
Summarised statement of Net assets					
Cash and cash equivalents		87,919.80	0.01	20.67	87,940.48
Other Financial Assets		14,99,612.20	5.88	58.25	14,99,676.33
Non-inancial Assets		17,711.30	1.58	1,686.21	19,399.09
Total Assets (A)		**16,05,243.30**	**7.47**	**1,765.13**	**16,07,015.90**
Financial Liabilities		14,09,584.70	0.05	27.54	14,09,612.29
Non-Financial Liabilities		8,913.20	0.14	1,172.41	10,085.75
Total Liabilities (B)		**14,18,497.90**	**0.19**	**1,199.95**	**14,19,698.04**
Net Assets (A-B)		**1,86,745.40**	**7.28**	**565.18**	**1,87,317.86**
Group share in %		21.24%	21.51%	25.01%	
Group share in Amount		39,663.90	1.57	141.35	39,806.82
Goodwill and other adjustments		9,048.84	0.05	12.82	9,061.71
Add: Value of an Associate carried as FVTPL					15.21
Carrying amount	Refer Note 10.1	**48,712.74**	**1.62**	**154.17**	**48,883.74**
Summarised statement of Profit and Loss					
Interest Income		1,22,671.60	-	-	1,22,671.60
Other Income		21,575.40	1.06	112.60	21,689.06
Interest Expenses		62,021.60	-	50.64	62,072.24
Depreciation and Amortisation		2,301.00	-	11.81	2,312.81
Other Expenses		42,333.90	0.13	53.68	42,387.71
Income Tax		10,910.00	0.17	(1.77)	10,908.40
Profit before Tax from continuing operations		37,590.50	0.93	(3.53)	**37,587.90**
Profit after Tax from continuing operations		26,680.50	0.76	(1.76)	**26,679.50**
Other Comprehensive Income		680.50	-	-	**680.50**
Total Comprehensive Income		27,361.00	0.76	(1.76)	**27,360.00**
Group share in %		21.24%	21.51%	25.01%	
Group share in Amount in Profit and loss (A) (including dilution gains and other adjustments)	11.09	5,735.29	0.16	(0.44)	**5,746.10**
Group share in Amount in Other Comprehensive Income (B)	-	144.54	-	-	**144.54**
Total Group share in Amount (A+B)	11.09	5,879.83	0.16	(0.44)	**5,890.64**
Share in commitments and contingent liabilities	-	18,584.74	0.24	-	**18,584.98**

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Particulars (as at March 31, 2019)	HDFC Bank Limited	Truenorth Ventures Private Limited	Good Host Spaces Private Limited	Total
Summarised statement of Net assets				
Cash and cash equivalents	81,792.50	0.08	18.49	81,811.07
Other Financial Assets	12,48,319.80	6.58	486.69	12,48,813.07
Non-Financial Assets	10,328.10	0.74	274.36	10,603.20
Total Assets (A)	13,40,440.40	7.40	779.54	13,41,227.34
Financial Liabilities	11,75,393.00	-	509.08	11,75,902.08
Non-Financial Liabilities	1,602.60	0.38	50.21	1,653.19
Total Liabilities (B)	11,76,995.60	0.38	559.29	11,77,555.27
Net Assets (A-B)	1,63,444.80	7.02	220.25	1,63,672.07
Group share in %	21.38%	21.51%	25.01%	
Group share in Amount	34,948.70	1.51	55.08	35,005.29
Goodwill and other adjustments	8,856.53	0.05	12.82	8,869.40
Carrying amount	43,805.23	1.56	67.90	43,874.69
Summarised statement of Profit and Loss				
Interest Income	105,438.10	-	-	105,438.10
Other Income	-	0.58	103.44	104.02
Interest Expenses	53,086.70	-	47.07	53,133.77
Depreciation and Amortisation	1,220.60	-	-	1,220.60
Other Expenses	-	0.28	5.74	6.02
Income Tax	12,340.30	0.07	1.63	12,342.00
Profit before Tax from continuing operations	34,916.80	0.30	9.47	34,926.57
Profit after Tax from continuing operations	22,576.50	0.23	7.84	22,584.57
Other Comprehensive Income	698.10	-	0.01	698.11
Total Comprehensive Income	23,274.60	0.23	7.85	23,282.68
Group share in %	21.38%	21.51%	25.01%	
Group share in Amount in Profit and loss (A) (including dilution gains and other adjustments)	7,391.71	(0.02)	(1.87)	7,389.82
Group share in Amount in Other Comprehensive Income (B)	149.27	-	-	149.27
Total Group share in Amount (A+B)	7,540.98	(0.02)	(1.87)	7,539.09
Share in Commitments and Contingent Liabilities	18,137.83	-	105.43	18,243.26

Notes forming part of the Consolidated Financial Statements (Continued)

HDFC Bank Ltd. for the purposes of its statutory compliance prepares and presents its financial statements/ results under the historical cost convention and accrual basis of accounting in accordance with Generally Accepted Accounting Principles in India (‘GAAP’), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India (‘RBI’) from time to time, Accounting Standards (‘AS’) specified under Section 133 of the Companies Act, 2013, read together with relevant rules, in so far as they apply to banks. These financial statements/results are largely referred to as the Indian GAAP (‘IGAAP’) financial statements/results of the Bank. The Ministry of Corporate Affairs, India, in its press release dated January 18, 2016, had issued a roadmap for implementation of IFRS converged Indian Accounting Standards (‘IND-AS’). The timelines for the said implementation have since been deferred.

HDFC Bank Ltd, being an associate of Housing Development Finance Corporation Limited (the ‘Corporation’), has prepared this consolidated financial information (‘fit- for consolidation information’), in accordance with the recognition and measurement principles of IND-AS as specified under Section 133 of the Companies Act, 2013, for the purposes of preparing the consolidated financial statements/results of the Corporation.

10. Investments - Other than Insurance Companies

₹ in Crore

Investments	As at March 31, 2020				
	Amortised cost	At Fair Value			Total
		Through Other Comprehensive Income	Through profit or loss	Sub-Total	
	(1)	(2)	(3)	(4)=(2)+(3)	(5)=(1)+(4)
Mutual Funds	-	-	28,162.25	28,162.25	28,162.25
Government Securities $	14,283.47	-	-	-	14,283.47
Equity Shares	-	5,110.90	621.54	5,732.44	5,732.44
Preference Shares	70.00	-	16.68	16.68	86.68
Debentures	1,201.39	101.30	460.35	561.65	1,763.04
Pass-through Certificates	22.57	-	-	-	22.57
Security Receipts	-	-	176.13	176.13	176.13
Investment in Units of Venture Funds and Alternate Investment Funds	-	-	841.33	841.33	841.33
Total – Gross (A)	**15,577.43**	**5,212.20**	**30,278.28**	**35,490.48**	**51,067.91**
(i) Investments outside India	-	58.38	-	58.38	58.38
(ii) Investments in India	15,577.43	5,153.82	30,278.28	35,432.10	51,009.53
Total (B)	**15,577.43**	**5,212.20**	**30,278.28**	**35,490.48**	**51,067.91**
Less: Allowance for Impairment loss (C)	40.62	-	-	-	40.62
Total – Net (D) = (A)-(C)	**15,536.81**	**5,212.20**	**30,278.28**	**35,490.48**	**51,027.29**

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Investments	As at March 31, 2019				
	Amortised cost	At Fair Value			Total
		Through Other Comprehensive Income	Through profit or loss	Sub-Total	
	(1)	(2)	(3)	(4)=(2)+(3)	(5)=(1)+(4)
Mutual Funds	-	-	17,849.78	17,849.78	17,849.78
Government Securities $	10,618.90	-		-	10,618.90
Equity Shares		383.69	1,201.49	1,585.18	1,585.18
Preference Shares	70.00	12.54	12.30	24.84	94.84
Debentures	1,024.54	356.98	325.30	682.28	1,706.82
Pass-through Certificates	27.32	-	-	-	27.32
Security Receipts	-	-	221.69	221.69	221.69
Investment in Units of Venture Funds and Alternate Investment Funds	-	-	779.31	779.31	779.31
Total – Gross (A)	11,740.76	753.21	20,389.87	21,143.08	32,883.84
(i) Investments outside India	-	55.13	-	55.13	55.13
(ii) Investments in India	11,740.76	698.08	20,389.87	21,087.95	32,828.71
Total (B)	11,740.76	753.21	20,389.87	21,143.08	32,883.84
Less: Allowance for Impairment loss (C)	46.64	-	-	-	46.64
Total – Net (D) = (A)-(C)	11,694.12	753.21	20,389.87	21,143.08	32,837.20

$ The Corporation has not created any provision under Expected Credit Loss on Investments made in Government Securities.

10.1 **GRUH Finance Limited**

In view of the scheme of amalgamation filed by GRUH Finance Limited (“GRUH”), a Subsidiary of the Corporation, and Bandhan Bank Limited (“Bandhan”) and the subsequent directive by the Reserve Bank of India to the Corporation to hold not more than 9.9% of the share capital of Bandhan post merger, the Corporation sold the shares of the GRUH during the period, and the Corporation’s shareholding in GRUH was reduced to 38% on 30 August 2019, accordingly the same was classified as an associate company. The effective date of the merger of GRUH into and with Bandhan Bank Limited (Bandhan Bank) was October 17, 2019. The Corporation was allotted 15,93,63,149 shares aggregating 9.90% of the total issued share capital of Bandhan. On derecognition of investment in GRUH, the Corporation has recorded a fair value gain of **₹ 9,016.41 Crore** through the Statement of Profit and Loss.

10.2 **HDFC ERGO Health Insurance Limited**

Pursuant to receipt of approvals from Reserve Bank of India, Insurance Regulatory and Development Authority of India and Competition Commission of India, the Corporation has, on January 10, 2020, acquired 51.16% of the equity share capital of HDFC ERGO Health Insurance Limited (formerly Apollo Munich Health Insurance Company Limited).

Further, the Corporation has initiated necessary steps of merger of HDFC ERGO Health Insurance Ltd (HDFC ERGO Health) and HDFC ERGO General Insurance Company Ltd (HDFC ERGO), subsidiary of the Corporation, subject to approval of the National Company Law Tribunal, Mumbai.

The Scheme *inter alia* envisages amalgamation of the HDFC ERGO Health into and with HDFC ERGO and dissolution of the HDFC ERGO Health without winding up.

10.3 **Debt Asset Swap**

During the year, the Corporation has entered into debt assets swap, wherein the gross carrying amount of the financial and non financial assets taken over as at March 31, 2020 stood at ₹ **62.47 Crore** (Previous Year ₹ Nil) and ₹ **847.57 Crore** (Previous Year ₹ Nil) respectively, the properties taken over by the corporation are mix of residential and commercial properties located in key metro cities. The properties are either for the Corporation's own use or being held for capital appreciation, which the Corporation will dispose of at an appropriate time and in accordance with the applicable regulations.

11 Assets of Insurance Business

11.1 Investment of Life Insurance Business

₹ in Crore

Investments	As at March 31, 2020				
	Amortised cost	At Fair Value			Total
		Through Other Comprehensive Income	Through profit or loss	Sub-Total	
	(1)	(2)	(3)	(4)=(2)+(3)	(5)=(1)+(4)
Government securities and other approved securities	-	42,502.41	10,507.08	53,009.49	**53,009.49**
Equity Shares	-	-	36,448.55	36,448.55	**36,448.55**
Preference Shares	-	-	1.36	1.36	**1.36**
Debentures	-	23,711.50	10,920.38	34,631.88	**34,631.88**
Fixed Deposits	-	549.72	-	549.72	**549.72**
Certificate of Deposits	-	34.27	24.56	58.83	**58.83**
Commercial Papers	-	-	97.76	97.76	**97.76**
Reverse Repo Instruments	-	3,101.75	1,481.85	4,583.60	**4,583.60**
Security Receipts	-	-	0.03	0.03	**0.03**
Investment in Units of Venture Capital Fund/Reits	-	-	265.63	265.63	**265.63**
Total – Gross (A)	**-**	**69,899.65**	**59,747.20**	**1,29,646.85**	**1,29,646.85**
(i) Investments outside India	-	-	-	-	**-**
(ii) Investments in India	-	69,899.65	59,747.20	1,29,646.85	**1,29,646.85**
Total (B)	**-**	**69,899.65**	**59,747.20**	**1,29,646.85**	**1,29,646.85**
Less: Allowance for Impairment loss (C)	-	41.62	-	41.62	**41.62**
Total – Net (D) = (A)-(C)	**-**	**69,858.03**	**59,747.20**	**1,29,605.23**	**1,29,605.23**
Investments of Policyholders	-	65,540.42	58,338.57	1,23,878.99	**1,23,878.99**
Investments of Shareholders	-	4,317.61	1,408.63	5,726.24	**5,726.24**
Total	**-**	**69,858.03**	**59,747.20**	**1,29,605.23**	**1,29,605.23**

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Investments	As at March 31, 2019				
	Amortised cost	At Fair Value			Total
		Through Other Comprehensive Income	Through profit or loss	Sub-Total	
	(1)	(2)	(3)	(4)=(2)+(3)	(5)=(1)+(4)
Mutual Funds	-	-	425.23	425.23	425.23
Government securities and other approved securities	-	32,168.77	7,967.60	40,136.37	40,136.37
Equity Shares	-	-	47,864.96	47,864.96	47,864.96
Debentures	-	19,218.83	11,313.14	30,531.97	30,531.97
Subsidiaries - Equity Shares	-	-	-	-	-
Fixed Deposits		440.99	-	440.99	440.99
Certificate of Deposits	-	332.24	-	332.24	332.24
Commercial Papers	-	475.80	148.02	623.82	623.82
Reverse Repo Instruments	-	1,377.29	2,874.16	4,251.45	4,251.45
Security Receipts	-	-	0.11	0.11	0.11
Investment in Units of Venture Capital Fund/Reits	-	-	275.12	275.12	275.12
Total – Gross (A)	-	54,013.92	70,868.34	1,24,882.26	1,24,882.26
(i) Investments outside India	-	197.54	-	197.54	197.54
(ii) Investments in India	-	53,816.38	70,868.34	1,24,684.72	1,24,684.72
Total (B)	-	54,013.92	70,868.34	1,24,882.26	1,24,882.26
Less: Allowance for Impairment loss (C)	-	-	-	-	-
Total – Net (D) = (A)-(C)	-	54,013.92	70,868.34	1,24,882.26	1,24,882.26
Investments of Policyholders	-	49,924.98	70,023.95	1,19,948.93	1,19,948.93
Investments of Shareholders	-	4,088.94	844.39	4,933.33	4,933.33
Total	-	54,013.92	70,868.34	1,24,882.26	1,24,882.26

Notes forming part of the Consolidated Financial Statements (Continued)

11.2 Investments - Non Life Insurance Business

₹ in Crore

Investments	As at March 31, 2020				
	Amortised cost	At Fair Value			Total
		Through Other Comprehensive Income	Through profit or loss	Sub-Total	
	(1)	(2)	(3)	(4)=(2)+(3)	(5)=(1)+(4)
Mutual Funds	-	-	732.71	732.71	732.71
Government securities and other approved securities	-	5,759.48	-	5,759.48	5,759.48
Equity Shares	-	-	170.79	170.79	170.79
Preference Shares	-	-	2.65	2.65	2.65
Debentures	-	7,089.36	-	7,089.36	7,089.36
Fixed Deposits	50.41	-	-	-	50.41
Total – Gross (A)	**50.41**	**12,848.84**	**906.15**	**13,754.99**	**13,805.40**
(i) Investments outside India	-	-	-	-	-
(ii) Investments in India	50.41	12,848.84	906.15	13,754.99	13,805.40
Total (B)	**50.41**	**12,848.84**	**906.15**	**13,754.99**	**13,805.40**
Less: Allowance for Impairment loss **(C)**	-	73.57	-	73.57	73.57
Total – Net (D) = (A)-(C)	**50.41**	**12,775.27**	**906.15**	**13,681.42**	**13,731.83**
Investments of Policyholders	44.03	9,843.62	640.66	10,484.27	10,528.30
Investments of Shareholders	6.38	2,931.65	265.49	3,197.15	3,203.53
Total	**50.41**	**12,775.27**	**906.15**	**13,681.42**	**13,731.83**

₹ in Crore

Investments	As at March 31, 2019				
	Amortised cost	At Fair Value			Total
		Through Other Comprehensive Income	Through profit or loss	Sub-Total	
	(1)	(2)	(3)	(4)=(2)+(3)	(5)=(1)+(4)
Mutual Funds	-	-	212.12	212.12	212.12
Government securities and other approved securities	-	3,573.06	-	3,573.06	3,573.06
Equity Shares	-	-	299.46	299.46	299.46
Preference Shares	-	-	24.98	24.98	24.98
Debentures	-	5,007.53	-	5,007.53	5,007.53
Fixed Deposits	70.41	-	-	-	70.41
Total – Gross (A)	70.41	8,580.59	536.56	9,117.15	9,187.56
(i) Investments outside India	-	-	-	-	-
(ii) Investments in India	70.41	8,580.59	536.56	9,117.15	9,187.56
Total (B)	70.41	8,580.59	536.56	9,117.15	9,187.56
Less: Allowance for Impairment loss **(C)**	-	-	-	-	-
Total – Net (D) = (A)-(C)	70.41	8,580.59	536.56	9,117.15	9,187.56
Investments of Policyholders	55.74	6,945.76	429.29	7,375.06	7,430.79
Investments of Shareholders	14.67	1,634.83	107.27	1,742.09	1,756.77
Total	70.41	8,580.59	536.56	9,117.15	9,187.56

Notes forming part of the Consolidated Financial Statements (Continued)

11.3 Assets of Insurance Business

₹ in Crore

Paticulars	Life Insurance		Non Life Insurance	
	As at March 31, 2020	As at March 31, 2019	**As at March 31, 2020**	As at March 31, 2019
Investments	**1,29,605.23**	1,24,882.26	**13,731.83**	9,187.56
Other Assets				
Reinsurance Assets	**3,970.17**	2,426.79	**2,685.68**	1,299.23
Outstanding Premium	**208.33**	133.26	**1,449.71**	1,216.26
Due from other Insurance Companies	**-**	-	**141.52**	188.48
RI Recovery on Claims Outstanding	**-**	-	**1,554.86**	1,262.83
Assets held for unclaimed Amount of Policyholders	**714.04**	534.40	**-**	-
Receivable for fund management charges from UL schemes	**471.91**	101.06	**-**	-
Others	**2,362.21**	1,791.51	**304.64**	262.84
Total Other Assets	**7,726.66**	4,987.02	**6,136.41**	4,229.64

12. Other Financial Assets

₹ in Crore

Particulars	**As at March 31, 2020**	As at March 31, 2019
Security Deposits	**120.41**	94.38
Receivables on Securitised Loans*	**1,332.09**	1,105.84
Amounts Receivable on swaps and other derivatives	**1,380.66**	1,428.89
Inter Corporate Deposits [Refer Note 12.1]	**75.27**	1,078.58
Receivables on sale of investments	**963.50**	469.01
Others	**164.35**	291.10
Total Gross	**4,036.28**	4,467.80
Less: Impairment loss allowance (Expected Credit Loss)	**52.56**	31.48
Total Net of ECL	**3,983.72**	4,436.32

* Retained interest and servicing assets

12.1 Inter Corporate Deposits

₹ in Crore

Particulars	**As at March 31, 2020**	As at March 31, 2019
(a) Secured by tangible assets	**10.04**	-
(b) Secured by intangible assets	**13.30**	891.22
(c) Covered by bank and government guarantee	**-**	-
(d) Unsecured	**51.93**	187.36
Total Gross	**75.27**	1,078.58
Less: Impairment loss allowance (Expected Credit Loss)	**52.56**	27.82
Total Net of ECL	**22.71**	1,050.76

Notes forming part of the Consolidated Financial Statements (Continued)

Inter Corporate Deposits are secured or partly secured by one or a combination of the following securities;

- Registered / equitable mortgage of property;
- Non disposal undertakings in respect of shares, pledge of shares, units, other securities, assignment of life insurance policies;
- Hypothecation of assets;
- Bank guarantees, company guarantees or personal guarantees;
- Negative lien;
- Assignment of receivables;
- Liquidity Support. Collateral [e.g. DSRA (Debt Service Reserve Account), Lien of Fixed Deposit]

13 Current and Defferred Tax Assets (Net)

13 (a) Current Tax Assets (Net)

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Advance Tax (Net of Provision)	**3,696.51**	3,279.98
Total	**3,696.51**	3,279.98

13 (b) Deferred Tax Assets / (Liabilities)

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Deferred tax assets	**1,654.91**	919.07
MAT credit entitlement	**44.77**	-
Deferred tax Liabilities	**(32.46)**	(65.43)
Total	**1,667.22**	853.64

Movements in deferred tax assets / (liabilities) (current year)

₹ in Crore

Particulars	As at March 31, 2019	Charge for the Current Year			Utilisations / adjustments	As at March 31, 2020
		Profit or loss (a)	Other Comprehensive Income (b)	Total (a+b)		
Property, plant and equipment	(52.22)	29.62	-	29.62	-	**(22.60)**
Right of Use Asset and lease liabilities	-	(0.75)	-	(0.75)	2.57	**1.82**
Expected credit losses	1,830.26	488.89	(0.02)	488.87	-	**2,319.13**
Provisions other than those pertaining to Expected credit loss	134.89	(32.56)	0.60	(31.96)	-	**102.93**
Financial assets at fair value through profit or loss	(106.73)	(803.47)	-	(803.47)	-	**(910.20)**
Financial assets at FVOCI	14.41	0.08	591.18	591.26	-	**605.67**
Remeasurements of employee benefits	1.05	1.56	1.96	3.52	-	**4.57**
Adjustments pertaining to Income and expense recognition based on Expected Interest rate	(560.23)	(57.08)	-	(57.08)	-	**(617.31)**
Effect of foreign exchange transactions and translations	(115.22)	147.96	77.58	225.54	-	**110.32**
Income recognition on NPA cases	(265.44)	265.44	-	265.44	-	**-**
MAT Credit entitlement	-			-	44.77	**44.77**
Others	(27.13)	9.28	0.72	10.00	45.25	**28.12**
Total	**853.64**	**48.97**	**672.02**	**720.99**	**92.59**	**1,667.22**

Notes forming part of the Consolidated Financial Statements (Continued)

Movements in deferred tax assets / (liabilities) (previous year)

₹ in Crore

Particulars	As at March 31, 2018	Charge for the Previous Year			Utilisations / adjustments	As at March 31, 2019
		Profit or loss (a)	Other Comprehensive Income (b)	Total (a+b)		
Property, plant and equipment	(55.06)	2.84	-	2.84		**(52.22)**
Expected credit losses	1,683.94	146.32	-	146.32		**1,830.26**
Provisions other than those pertaining to Expected credit loss	69.68	64.73	0.48	65.21		**134.89**
Financial assets at fair value through profit or loss	(69.27)	(37.46)	-	(37.46)		**(106.73)**
Financial assets at FVOCI	0.56	-	13.85	13.85		**14.42**
Remeasurements of employee benefits through OCI	0.38	-	0.67	0.67		**1.05**
Adjustments pertaining to Income and expense recognition based on Expected Interest rate	(271.08)	(288.92)	(0.23)	(289.15)		**(560.23)**
Effect of foreign exchange transactions and translations	(115.22)	-	-	-		**(115.22)**
Income recognition on NPA cases	(265.44)	-	-	-		**(265.44)**
MAT Credit entitlement	311.00				(311.00)	-
Others	(1.82)	(35.94)	2.43	(33.51)	8.20	**(27.13)**
Total	1,287.67	(148.43)	17.20	(131.23)	(302.80)	**853.64**

14. Investment Property

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Gross carrying amount		
Opening gross carrying amount / Deemed cost	424.23	470.06
Additions	362.35	17.28
Deduction / Disposal	(22.26)	(57.61)
Asset held for sale	-	-
Transfer to Fixed Assets	**(9.51)**	(5.50)
Closing gross carrying amount	**754.81**	424.23
Accumulated depreciation		
Opening accumulated depreciation	15.59	9.19
Depreciation charge	9.48	8.56
Depreciation on Sale	(1.03)	(2.07)
Transfer to Fixed Assets	(0.43)	(0.09)
Closing accumulated depreciation	**23.61**	15.59
Accumulated Impairment		
Opening accumulated Impairment	13.00	-
Impairment charge	8.65	13.00
Closing accumulated Impairment	**21.65**	13.00
Investment Property - work in progress	**271.97**	-
Net carrying amount	**981.52**	395.64

14.1 Fair Value (Level 3)

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Investment properties	**1,065.60**	775.76

The fair value of the Corporation's investment properties as at March 31, 2020 and March 31, 2019 has been arrived at on the basis of an Internal Valuation.

15. Tangible Assets

₹ in Crore

	GROSS BLOCK					DEPRECIATION, AMORTISATION AND IMPAIRMENT					NET BLOCK	
	As at March 31, 2019	Additions	Adjustments	Deductions	As at March 31, 2020	As at March 31, 2019	For the Year	Adjustments	Deductions	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Land :												
Freehold	16.64	84.96	(0.97)	-	**100.63**	-	-	-	-	-	**100.63**	16.64
Right to use	350.78	4.47	-	-	**355.25**	17.76	8.88	-	(1.49)	**28.13**	**327.12**	333.02
Buildings :												
Own use	581.89	53.78	8.11	(0.04)	**643.74**	22.83	6.17	2.18	(6.70)	**37.88**	**605.86**	559.06
Right to use		601.21	5.99	(22.95)	**584.25**	-	215.33	2.43	15.76	**202.00**	**382.25**	0.00
Leasehold Improvements	69.90	20.92	0.03	(3.59)	**87.26**	18.69	16.28	0.03	3.05	**31.95**	**55.31**	51.21
Computer Hardware	124.59	83.83	12.48	(13.14)	**207.76**	53.76	21.92	5.15	(8.06)	**88.89**	**118.87**	70.83
Furniture & Fittings	76.50	12.37	(3.17)	(5.39)	**80.31**	15.55	6.54	0.09	(0.96)	**23.14**	**57.17**	60.95
Office Equipment etc.	84.48	20.56	(1.85)	(6.40)	**96.79**	20.36	11.42	(0.84)	(0.20)	**31.14**	**65.65**	64.12
Vehicles	40.94	12.69	1.03	(8.85)	**45.81**	8.75	4.22	0.38	(1.05)	**14.40**	**31.41**	32.19
Total	1,345.72	894.79	21.65	(60.36)	**2,201.80**	157.70	290.76	9.42	0.35	**457.53**	**1,744.27**	1,188.02

Notes

(1) Net of depreciation for the year amounting to ₹ **63.36 Crore** (Previous Year ₹ 44.81 Crore) included in other expenses pertaining to Insurance Business.

(2) Depreciation for the financial year excludes ₹ **8.48 Crore** (Previous Year ₹ 8.56 Crore) being depreciation charge and ₹ **8.65 Crore** (Previous Year ₹ 13.00 Crore) being impairment charge on Investment in Properties.

₹ in Crore

	GROSS BLOCK					DEPRECIATION, AMORTISATION AND IMPAIRMENT					NET BLOCK	
	As at March 31, 2018	Additions	Adjustments	Deductions	As at March 31, 2019	As at March 31, 2018	For the Year	Adjustments	Deductions	As at March 31, 2019	As at March 31, 2019	As at March 31, 2018
Land :												
Freehold	16.64	-	-	-	16.64	-	-	-	-	-	16.64	16.64
Right to use	349.56	2.08	-	0.86	350.78	8.88	8.88	-	-	17.76	333.02	340.68
Buildings :	575.65	0.76	5.50	0.02	581.89	11.20	9.43	0.09	(2.11)	22.83	559.06	564.45
Leasehold Improvements	41.63	31.35	-	3.08	69.90	7.77	13.74	-	2.82	18.69	51.21	33.86
Computer Hardware	95.06	38.36	0.01	8.84	124.59	27.18	25.36	-	(1.22)	53.76	70.83	67.88
Furniture & Fittings	67.57	14.44	-	5.51	76.50	8.45	9.29	-	2.19	15.55	60.95	59.12
Office Equipment etc.	67.61	25.47	-	8.60	84.48	10.96	14.95	-	5.55	20.36	64.12	56.65
Vehicles	35.90	16.02	-	10.98	40.94	6.96	7.76	-	5.97	8.75	32.19	28.94
Total	1,249.62	128.48	5.51	37.89	1,345.72	81.40	89.41	0.09	13.20	157.70	1,188.02	1,168.22

Notes forming part of the Consolidated Financial Statements (Continued)

16. Intangible Assets

A) Intangible Assets other than Goodwill on Consolidation

₹ in Crore

	GROSS BLOCK					DEPRECIATION, AMORTISATION AND IMPAIRMENT					NET BLOCK	
	As at March 31, 2019	Additions	Adjustments	Deductions	As at March 31, 2020	As at March 31, 2019	For the Year	Adjustments	Deductions	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Computer Software	174.60	46.16	27.29	0.00	**248.05**	79.44	33.31	7.81	(14.50)	**135.06**	**112.99**	95.16
Goodwill	6.04				**6.04**	-	-	-	-	**-**	**6.04**	6.04
Non Compete Fees	-	10.92	-	-	**10.92**	-	10.92	-	0.00	**10.92**	**0.00**	0.00
Development Rights	-	350.00	-	-	**350.00**	-	0.00	-	0.00	**-**	**350.00**	0.00
Customer relationships	-	-	334.49	-	**334.49**	-	7.62	-	0.00	**7.62**	**326.87**	0.00
Distribution Network - Bancassurance	-	-	40.59	-	**40.59**	-	3.08	-	0.00	**3.08**	**37.51**	0.00
Distribution Network - Agency	-	-	295.99	-	**295.99**	-	13.48	-	0.00	**13.48**	**282.51**	0.00
Non - Compete Agreement	-	-	36.29	-	**36.29**	-	2.76	-	0.00	**2.76**	**33.53**	0.00
	180.64	407.08	734.65	0.00	**1,322.37**	79.44	[(1)] 71.17	7.81	(14.50)	**172.92**	**1,149.45**	101.20

₹ in Crore

	GROSS BLOCK					DEPRECIATION, AMORTISATION AND IMPAIRMENT					NET BLOCK	
	As at March 31, 2018	Additions	Adjustments	Deductions	As at March 31, 2019	As at March 31, 2018	For the Year	Adjustments	Deductions	As at March 31, 2019	As at March 31, 2019	As at March 31, 2018
Computer Software												
Owned	126.17	48.77	-	0.34	174.60	37.28	30.50	-	(11.66)	79.44	95.16	88.89
Goodwill	6.04	-	-	-	6.04	-	-	-	-	-	6.04	6.04
	132.21	48.77	-	0.34	180.64	37.28	[(1)] 30.50	-	(11.66)	79.44	101.20	94.93

Notes

[(1)] Net of depreciation for the year amounting ₹ **37.49 Crore** (Previous Year ₹ 34.39 Crore) included in other expenses pertaining to Insurance Business.

B) Goodwill on Consolidation

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Balance at the beginning of the year	**625.46**	625.46
Goodwill arising on acquisition of subsidiary (Refer Note 50.1)	**975.27**	-
Goodwill derecognised on loss of control in subsidiary	**-**	-
Balance at the year end	**1,600.73**	625.46

The recoverable amount of subsidiaries is based on its value in use. The value in use is estimated using discounted cash flows over a period of 5 years. Cash flows beyond 5 years is estimated by capitalising the future maintainable cash flows by an appropriate capitalisation rate and then discounted using pre-tax discount rate.

Operating margins and growth rates for the five year cash flow projections have been estimated based on past experience and after considering the financial budgets/forecasts provided by the management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industry and have been based on historical data from both external and internal sources.

The management believes that any reasonably possible change in the key assumptions would not cause the carrying amount to exceed the recoverable amount.

Notes forming part of the Consolidated Financial Statements (Continued)

17. Other Non-Financial Assets

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Capital Advances - Unsecured; considered good	**68.60**	67.74
Other Advances - Unsecured; considered good	**453.83**	747.64
Prepaid Expenses - Unsecured; considered good	**167.92**	140.24
Investment Property - Held for sale	**-**	6.90
Total	**690.35**	962.52

18. Payables

18 (a) Trade Payables

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Total outstanding dues of micro enterprises and small enterprises	**4.00**	1.55
Total outstanding dues of creditors other than micro enterprises and small enterprises	**2,161.19**	1,995.80

The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of Information available with the Corporation. The amount of principal and interest outstanding during the year is given below.

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
a) Amount outstanding but not due as at year end	**4.00**	-
b) Amount due but unpaid as at the year end	**-**	1.55
c) Amounts paid after appointed date during the year	**0.01**	-
d) Amount of interest accrued and unpaid as at year end	**-**	-
e) The amount of further interest due and payable even in the succeeding year	**-**	-
Total	**4.01**	**1.55**

18 (b) Other Payables

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Total outstanding dues of micro enterprises and small enterprises	**-**	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	**238.95**	463.04

Notes forming part of the Consolidated Financial Statements (Continued)

19. Debt Securities

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Bonds	**20.10**	27.35
Non Convertible Debentures	**1,44,466.85**	1,35,326.93
Synthetic Rupee Denominated Bonds	**6,100.00**	11,100.00
Commercial Papers	**28,938.40**	37,947.78
Perpetual Debt Instrument	**274.35**	274.27
Less: Unamortised borrowing cost	**(0.55)**	(36.60)
Total (A)	**1,79,799.15**	1,84,639.73
Debt securities in India	**1,73,699.15**	1,73,539.73
Debt securities outside India	**6,100.00**	11,100.00
Total (B) to tally with (A)	**1,79,799.15**	1,84,639.73

The Corporation has raised ₹ **11,100 Crore** through Rupee Denominated Bonds to overseas investors till date, the outstanding as at March 31, 2020 is ₹ **6,100 Crore.** The Corporation was the first Indian corporate issuer of such bonds.

The Corporation had established a Medium Term Note Programme (MTN Programme) for **USD 2,800 mn** so as to enable the Corporation to issue debt instruments in the international capital markets, subject to regulatory approval.

During the year, the Corporation raised ₹ **Nil** (Previous year ₹ 1,500 Crore) through issue of Rupee Denominated Bonds under the MTN Programme through the approval route. The Corporation shall finance eligible projects and borrowers as permitted by the external commercial borrowing guidelines issued by Reserve Bank of India (RBI) regulations.

The Corporation has raised ₹ **6,100 Crore** till date under the MTN Programme in accordance with the RBI guidelines.

The bonds are listed on the London Stock Exchange. These bonds are unsecured and the currency risk is borne by the investor.

Terms of redemption of Nominal value of bonds and debentures and repayment terms as at March 31, 2020

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
Debt Securities					
Bonds					
9.00% - 11.00%	7.70	12.40	-	-	20.10
Non Convertible Debentures					
6.96% - 8.00%	8,490.51	26,569.64	8,245.00	7,336.06	50,641.21
8.01% - 10.00%	24,072.05	12,519.52	8,131.57	35,180.31	79,903.45
10.01% - 11.95%	6,313.00	-	-	4,683.15	10,996.15
Zero Coupon Bonds	-	500.00	-	-	500.00
Total	**38,875.56**	**39,589.16**	**16,376.57**	**47,199.52**	**1,42,040.81**

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
Synthetic Rupee Denominated Bonds					
6.73% to 8.75%	3,300.00	2,300.00	500.00	-	6,100.00
Commercial Papers					
5.75%-7.00%	21,440.07	-	-	-	21,440.07
7.01% - 8.00%	7,473.79	-	-	-	7,473.79
8.01% - 9.00%	24.54	-	-	-	24.54
Total	**28,938.40**	**-**	**-**	**-**	**28,938.40**
Perpetual Debt Instrument					
8.00% - 10.00%	-	-	-	124.62	124.62
10.01% - 12.00%	-			149.73	149.73
Total	**-**	**-**	**-**	**274.35**	**274.35**

Terms of redemption of Nominal value of bonds and debentures and repayment terms as at March 31, 2019

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
Debt Securities					
Bonds					
9.00% - 11.00%	-	14.95	12.40	-	27.35
Non Convertible Debentures					
6.96% - 8.00%	17,278.00	8,825.84	1,173.00	3,327.80	30,604.64
8.01% - 10.00%	13,839.95	33,308.54	5,095.60	32,592.74	84,836.83
10.01% - 11.95%	3,083.28	11,559.05	-	-	14,642.32
Zero Coupon Bonds	3,794.42	500.00	-	-	4,294.42
Total	**37,995.65**	**54,193.43**	**6,268.60**	**35,920.54**	**1,34,378.22**
Synthetic Rupee Denominated Bonds					
6.73% to 8.75%	5,000.00	4,300.00	1,800.00	-	11,100.00
Commercial Papers					
7.01% - 8.00%	7,628.67	-	-	-	7,628.67
8.01% - 9.00%	30,194.07	-	-	-	30,194.07
Above 9.00%	125.04	-	-	-	125.04
Total	**37,947.78**	**-**	**-**	**-**	**37,947.78**
Perpetual Debt Instrument					
8.00% - 10.00%	-	-	-	124.60	124.60
10.01% - 12.00%	-	-	-	149.67	149.67
Total	**-**	**-**	**-**	**274.27**	**274.27**

Notes forming part of the Consolidated Financial Statements (Continued)

20. Borrowings (Other Than Debt Securities) - At Amortised Cost

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Secured		
Term Loans from Banks		
Scheduled Banks	**69,303.27**	52,929.35
	69,303.27	52,929.35
Term Loans from other parties		
Asian Development Bank	**211.59**	255.79
National Housing Bank	**14,377.00**	12,825.58
	14,588.59	13,081.37
	83,891.86	66,010.72
Unsecured		
Term Loans from Banks		
Scheduled Banks	**5,846.29**	6,543.10
External Commercial Borrowing	**18,260.55**	14,586.56
	24,106.84	21,129.66
Loans repayable on demand from Banks	**2.01**	3,235.01
Less: Unamortised borrowing cost	**(86.04)**	(119.00)
Total (A)	**1,07,914.67**	90,256.39
Borrowings in India	**89,442.53**	75,414.05
Borrowings outside India	**18,472.14**	14,842.34
Total (B) to tally with (A)	**1,07,914.67**	90,256.39

20.1 All secured borrowings are secured by negative lien on the assets of the Corporation and / or mortgage of property as the case may be, subject to the charge created in favour of its depositors pursuant to the regulatory requirement under Section 29B of the National Housing Bank Act, 1987. Certain borrowings are secured by the first charge by way of hypothetication of education loan receivables of underlying portfolio of education loans of HDFC Credila Financial Services Pvt. Ltd.

20.2 The Corporation has availed a loan of USD 100 million from the Asian Development Bank (Loan II). In respect of tranches 1 and 2 aggregating to USD 60 million, as per the agreements with a scheduled bank, the Corporation has handed over the dollar funds to the bank overseas and has obtained rupee funds in India amounting to ₹ 200 Crore by way of a term loan and ₹ 100 Crore through the issue of bonds which have been subscribed by the bank.

In respect of tranche 3 of USD 40 million, as per the agreement with a financial institution, the Corporation has handed over the dollars to the Bank of India, Cayman Island and under a back-to-back arrangement obtained rupee funds in India. All payments in foreign currency are the responsibility of the financial institution. In terms of the agreements, the Corporation's foreign exchange liability is protected.

The loan availed from Asian Development Bank and the deposit placed with Bank of India, Cayman Island are revalued at the closing rate of exchange and are shown separately in the financial statement.

20.3 The Corporation had outstanding External Commercial Borrowing (ECBs) of USD 1,825 million and JPY 53,200 million for financing prospective owners of low cost affordable housing units as per the ECB guidelines issued by Reserve Bank of India ("RBI") from time to time. The borrowing has a maturity upto five years. In terms of the RBI guidelines, part of the borrowings have been swapped into rupees for the entire maturity by way of principal only swaps and balance borrowing has been hedged through forward / option contracts for shorter tenor. The currency exposure on the interest has been hedged by way of forward contracts for part of foreign currency borrowings.

The charges for raising of the aforesaid ECB has been amortised over the tenure of the ECB.

Notes forming part of the Consolidated Financial Statements (Continued)

20.4 As on March 31, 2020, the Corporation has foreign currency borrowings of **USD 4,426.85 million** and **JPY 53,200 million** (Previous Year USD 2,797.36 million and JPY 53,200 million). The Corporation has undertaken currency swaps, forward contracts and option contracts of a notional amount of **USD 4,406.72 million** and **JPY 53,200 million** (Previous Year USD 2,670 million and JPY 53,200 million) and dollar denominated assets and foreign currency arrangements of **Nil** (PY USD 111.12 million) to hedge the foreign currency risk. As on March 31, 2020, the Corporation's net foreign currency exposure on borrowings net of risk management arrangements is **Nil** (Previous Year USD 16.24 million).

As a part of asset liability management on account of the Corporation's Adjustable Rate Home Loan product as well as to reduce the overall cost of borrowings, the Corporation has entered into INR interest rate swaps of a notional amount of ₹ **65,100 Crore** (Previous Year ₹ 55,650 Crore), Coupon Only Swaps of ₹ **1,059.38 Crore** (Previous Year Nil), USD Interest rate Swaps of ₹ **12,750.40 Crore** (Previous Year Nil) as on March 31, 2020 for varying maturities into floating rate liabilities linked to various benchmarks.

During the current year, HDFC Credila Financial Services Pvt Ltd, one of the subsidiary company, availed External Commercial Borrowings (ECBs) of USD 100 million for further lending of education loans as per the ECB guidelines issued by Reserve Bank of India ("RBI") from time to time. The borrowing has a maturity of three years. In terms of RBI guidelines, borrowings have been swapped into rupees by way of principal only swaps. The coupon on the borrowing is hedged through interest rate swap. The currency exposure on the interest on ECB has not been hedged.

Terms of borrowings and repayment as at 31 March 2020

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
Term Loans from Banks - Secured					
6.65% - 7.00%	10,675.00	-	-	-	10,675.00
7.01% - 8.00%	30,959.89	3,457.12	3,073.81	42.84	37,533.65
8.01% - 9.00%	1,834.34	1,696.08	300.11	229.19	4,059.72
9.01% - 9.50%	28.18	57.14	57.14	42.84	185.31
Fixed 2.68%-5.01%	16,849.59	-	-	-	16,849.59
Total	**60,347.00**	**5,210.34**	**3,431.06**	**314.86**	**69,303.27**
Term Loans from Other Parties					
Asian Development Bank					
USD LIBOR + 40 bps	-	211.59	-	-	211.59
National Housing Bank					
4.00% - 6.00%	551.04	1,469.46	1,448.51	890.17	4,359.18
6.01% - 8.00%	1,328.33	3,264.65	2,973.56	1,366.28	8,932.82
8.01% - 10.00%	385.50	598.00	101.50	-	1,085.00
Total Secured	**2,264.87**	**5,332.11**	**4,523.57**	**2,256.45**	**14,377.00**
Term Loans from Banks - Unsecured					
6.65% - 7.00%	560.00	-	-	-	560.00
7.01% - 8.00%	2,600.00	-	-	-	2,600.00
Variable USD LIBOR + 72 bps - 225 bps	2,686.29	-	-	-	2,686.29
Total	**5,846.29**	**-**	**-**	**-**	**5,846.29**
External Commercial Borrowing					
1 Month Libor + 50 bps to 126 bps	3,783.50	5,099.38	9,377.67	-	18,260.55

Notes forming part of the Consolidated Financial Statements (Continued)

Terms of borrowings and repayment as at 31 March 2019

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
Term Loans from Banks - Secured					
7.01% - 8.00%	62.50	62.50	300.00	-	425.00
8.01% - 9.00%	28,088.09	2,460.36	1,521.08	177.12	32,246.64
9.01% - 9.50%	10,079.61	2,439.19	197.11	35.00	12,750.92
Above 9.5%	27.15	87.11	64.56	85.26	264.08
Fixed 2.68% - 5.01%	7,242.71	-	-	-	7,242.71
Total Secured	**45,500.06**	**5,049.16**	**2,082.75**	**297.38**	**52,929.35**
Term Loans from Other Parties					
Asian Development Bank					
USD LIBOR + 40 bps	30.05	225.74	-	-	255.79
National Housing Bank					
4.00% - 6.00%	285.55	761.46	761.46	763.38	2,571.84
6.01% - 8.00%	203.88	418.11	390.71	400.57	1,413.26
8.01% - 10.00%	882.26	2,179.63	1,674.54	4,104.05	8,840.48
Total Secured	**1,371.68**	**3,359.20**	**2,826.70**	**5,268.00**	**12,825.58**
Term Loans from Banks - Unsecured					
8.01% - 9.00%	3,100.00	1,000.00	250.00	-	4,350.00
9.01% - 9.50%	1,500.00	-	-	-	1,500.00
Variable USD LIBOR + 72 bps - 225 bps	693.10	-	-	-	693.10
Total Unsecured	**5,293.10**	**1,000.00**	**250.00**	**-**	**6,543.10**
External Commercial Borrowing					
1 Month Libor + 50 bps to 126 bps	-	6,064.63	8,521.93	-	14,586.56

The borrowings have not been guaranteed by the Directors or others. Also, there is no default in repayment of borrowings and interest thereon.

21. Deposits - At Amortised Cost

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Deposits		
(i) Public Deposits	**87,758.40**	77,064.56
(ii) From Banks	**219.43**	115.00
(iii) From Others - Secured	**8,170.19**	-
(iv) From Others - Unsecured	**36,496.84**	30,174.13
Less: Unamortised transaction cost - Deposits	**(340.07)**	(281.70)
Total	**1,32,304.79**	1,07,071.99

Public deposits as defined in paragraph 2(1)(y) of the Housing Finance Companies (NHB) Directions, 2010, are secured by floating charge and Lien in favour of the Trustee's for Depositors on the Statutory Liquid Assets maintained in terms of sub-sections (1) & (2) of Section 29B of the National Housing Bank Act, 1987.

Notes forming part of the Consolidated Financial Statements (Continued)

22. Subordinated Liabilities - At Amortised Cost

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Non Convertible Subordinated Debentures	**5,348.93**	5,735.70
Total	**5,348.93**	5,735.70
Subordinated Liabilities in India	**5,348.93**	5,735.70
Subordinated Liabilities outside India	**-**	-
Total	**5,348.93**	5,735.70

Terms of borrowings and repayment as at March 31, 2020

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
8.65% - 9.75%	**1,000.00**	**1,000.00**	**3,000.00**	**348.93**	**5,348.93**

Terms of borrowings and repayment as at March 31, 2019

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
8.65% - 9.75%	500.00	2,000.00	35.00	3,200.70	5,735.70

23. Liabilities pertaining to Insurance Business

₹ in Crore

Particulars	Life Insurance		Non Life Insurance	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Insurance Contract Liabilities	**1,02,672.86**	99,527.51	**-**	-
Dues to Policyholders'	**2,112.64**	1,766.27	**26.89**	22.82
Funds for future appropriation	**883.03**	1,103.01	**-**	-
Reserve for unexpired Risk	**-**	-	**4,505.14**	2,841.35
Investment contract liabilities	**20,793.96**	19,893.96	**-**	-
Policyholders' surplus yet to be allocated	**3,303.01**	1,505.47	**-**	-
Unallocated premium (policyholders)	**486.04**	608.07	**652.71**	488.38
Reserve for claims	**-**	-	**8,718.28**	6,121.43
Premium received in advance	**-**	-	**757.89**	355.78
Due to other insurance companies	**55.22**	-	**2,762.40**	1,344.55
Purchase of investments pending settlement	**665.27**	890.48	**-**	-
Deferred origination fees	**34.71**	49.75	**-**	-
Total Liabilities of Insurance Business	**1,31,006.74**	1,25,344.52	**17,423.31**	11,174.31

Notes forming part of the Consolidated Financial Statements (Continued)

24. Other Financial Liabilities

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Interest accrued	**12,062.96**	11,937.56
Amounts payable on Securitised Loans	**453.55**	535.35
Security and other deposits received	**38.87**	32.90
Financial Assistance received from Kreditanstalt für Wiederaufbau	**7.78**	7.78
Unclaimed dividend	**24.97**	29.17
Unclaimed matured deposits including interest accrued and due thereon	**2,006.46**	1,181.48
Lease Liabilities	**406.18**	-
Other deposits and payables	**1,536.20**	735.80
Total	**16,536.97**	14,460.04

25. Current Tax Liabilities (Net)

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for Tax (Net of Advance Tax)	**259.84**	170.53
Total	**259.84**	170.53

26. Provisions

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for Employee Benefits	**370.22**	369.12
Other provisions	**1.87**	0.30
Total	**372.09**	369.42

27. Other Non-Financial Liabilities

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Revenue received in advance	**1,526.27**	534.67
Statutory Remittances	**564.14**	387.39
Others	**130.11**	61.34
Total	**2,220.52**	983.40

28. Equity Share Capital

₹ in Crore

	As at March 31, 2020	As at March 31, 2019
AUTHORISED		
228,80,50,000 Equity Shares of ₹ 2 each (Previous Year 228,80,50,000 Equity Shares of ₹ 2 each)	**457.61**	457.61
	457.61	457.61
ISSUED, SUBSCRIBED AND FULLY PAID UP		
173,20,51,189 (As at March 31, 2019 172,14,37,390) Equity Shares of ₹ 2 each	**346.41**	344.29
	346.41	344.29

28.1 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period:

Particulars	As at March 31, 2020		As at March 31, 2019	
	Number	₹ in Crore	Number	₹ in Crore
Equity shares outstanding as at the beginning of the year	**172,14,37,390**	**344.29**	167,58,79,893	335.18
Shares allotted pursuant to exercise of stock options	**1,06,13,799**	**2.12**	95,72,626	1.91
Shares allotted pursuant to issue of shares under Conversion of Warrants into equity shares	-	-	3,59,84,871	7.20
Equity shares outstanding as at the end of the year	**173,20,51,189**	**346.41**	172,14,37,390	344.29

28.2 There were no shareholder holding more than 5 percent shares in the Corporation as at March 31, 2020 and March 31, 2019.

28.3 Terms and rights attached to equity shares:

The Corporation has only one class of shares referred to as equity shares having Face Value of ₹ 2 each. Each holder of equity share is entitled to one vote per share.

The holders of equity shares are entitled to dividends, if any, proposed by the Board of Directors and approved by Shareholders at the Annual General Meeting.

As at March 31, 2020, **5,42,81,394 shares** of ₹ **2** each (Previous Year 6,48,95,193 shares of ₹ 2 each) were reserved towards outstanding Employees Stock Options granted / available for grant, including lapsed options [Refer Note 46].

28.4 **Dividend:**

During the previous year, the Board of Directors of the Corporation *inter alia*, has approved the payment of an interim dividend of ₹ 3.50 per equity share of face value of ₹ 2 each of the Corporation for the financial year 2018-19.

28.5 The Corporation had on October 5, 2015 issued 3,65,00,000 warrants, convertible into 3,65,00,000 equity share of ₹ 2 each at an exercise price of ₹ 1,475.00 each, simultaneously with the issue of 5,000 secured redeemable non-convertible debentures of face value of ₹ 1,00,00,000 each, to eligible qualified institutional buyers by way of a qualified institutions placement in accordance with Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, and Sections 42 and 71 of the Companies Act, 2013 and the rules made thereunder. During the previous year an amount of ₹ 51.10 Crore was received towards subscription of warrants. The said warrants were exercisable at any time on or before October 5, 2018. 529 warrants were not submitted for exchange with equity shares of the Corporation and the said warrants has lapsed and ceased to be valid. The amount of ₹ 14 per Warrant paid on 529 warrants stands forfeited.

28.6 The Corporation has not allotted any share pursuant to contracts without payment being received in cash or as bonus shares nor has it bought back any shares during the preceding period of 5 financial years.

Notes forming part of the Consolidated Financial Statements (Continued)

29. Other Equity

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Capital Reserve	**44.59**	48.30
Securities Premium	**33,079.40**	31,408.42
Retained Earnings	**50,318.98**	41,381.41
General Reserve	**26,286.91**	18,837.81
Special Reserve I	**51.23**	51.23
Special Reserve II	**16,428.45**	13,394.52
Statutory Reserve	**5,243.78**	5,043.64
Special Reserve U/s 45-IC of The Reserve Bank of India Act, 1934	**140.25**	104.93
Shelter Assistance Reserve	**0.10**	3.27
Foreign Currency Monetary Item Translation Difference Account	**-**	7.43
Investments through Other Comprehensive Income	**(6,439.59)**	118.34
Effective portion of Cash Flow Hedges	**(180.59)**	(224.03)
Cost of Cash Flow Hedges	**2.45**	(0.86)
Employee Stock Options Reserve	**1,078.26**	1,145.58
Translation Reserve	**38.23**	17.76
Capital Redemption Reserve	**23.86**	23.88
Debenture redemption reserve	**15.30**	14.72
Capital Reserve	**1.14**	1.00
Special Redemption Reserve	**-**	11.50
Total	**126,132.75**	111,388.85

29.1 **Capital Reserve:** It has been created during the Business Combinations in earlier periods.

29.2 **Securities Premium:** Securities premium reserve is credited when shares are issued at premium. It can be used to issue bonus shares, to provide for premium on redemption of shares or debentures, write-off equity related expenses like underwriting costs, etc.

29.3 **General Reserve:** It is a free reserve which is created by appropriation from profits of the current year and/ or undistributed profits of previous years, before declaration of dividend duly complying with any regulations in this regard.

29.4 **Special Reserve** has been created over the years in terms of Section 36(1)(viii) of the Income-tax Act, 1961 out of the distributable profits of the Corporation.

Special Reserve No.I relates to the amounts transferred upto the Financial Year 1996-97.

Special Reserve No.II relates to the amounts transferred thereafter.

29.5 **Statutory Reserve:** As per Section 29C of The National Housing Bank Act, 1987 (the "NHB Act"), the Corporation is required to transfer at least 20% of its net profits every year to a reserve before any dividend is declared. For this purpose any Special Reserve created by the Corporation under Section 36(1)(viii) of the Income- tax Act, 1961 is considered to be an eligible transfer. The Corporation has transferred an amount of **₹ 3,400 Crore** (Previous Year ₹ 1,908.89 Crore) to Special Reserve No. II in terms of Section 36(1)(viii) of the Income-tax Act, 1961 and an amount of **₹ 200 Crore** (Previous Year ₹ 100.00 Crore) to "Statutory Reserve (As per Section 29C of The NHB Act)".

29.6 **Shelter Assistance Reserve:** It represents funding various development and grassroot level organisations for the purposes as mentioned in Schedule VI to the Companies Act, 2013 and in accordance with the Corporation's Policy.

29.7 **Other Comprehensive Income**

Employee Share Option Outstanding: The Corporation has a share option scheme under which options to subscribe for the Corporation's shares have been granted to certain employees including key management personnel. The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, as part of their remuneration.

Effective portion of Cash Flow Hedge: It represents the cumulative gains/(losses) arising on revaluation of the derivative instruments designated as cash flow hedges through OCI.

29.8 **Employee Share Option Outstanding**

The Corporation has stock option schemes under which options to subscribe for the Corporation's shares have been granted to employees, including key management personnel. The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, as part of their remuneration.

29.9 **Foreign Currency Monetary Item Translation Difference Account**

Pursuant to the notification dated December 29, 2011 issued by the Ministry of Corporate Affairs amending the Accounting Standard 11, the Corporation had exercised the option as per Para 46A inserted in the Standard for all long term monetary assets and liabilities. Further the Corporation has exercised option to continue the policy adopted for exchange differences arising from translation of long-term foreign currency monetary assets as per Ind AS 101 para D13AA. Consequently, an amount of **₹ Nil (without considering future tax benefit of ₹ Nil)** [(Previous Year net credit of ₹ 7.43 Crore) (without considering future tax benefits of ₹ Nil)] is carried forward in the Foreign Currency Monetary Items Translation Difference Account as on March 31, 2020. This amount is to be amortised over the period of the monetary assets/liabilities ranging upto 1 year.

During the year, there was a net reduction of ₹ **7.43 Crore** (Previous Year net addition of ₹ 58.14 Crore) in the Foreign Currency Monetary Items Translation Difference Account.

30. Interest Income

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
On Financial Assets measured at Amortised Cost		
Interest on Loans	**43,982.04**	39,954.83
Interest Income from Investments	**36.99**	733.44
Interest on Deposits	**19.88**	149.95
Other Interest Income	**1,164.43**	207.08
Sub Total	**45,203.34**	41,045.30
Interest Income on Financial Assets classified at fair value through profit or loss		
Interest Income from Investments	**49.92**	-
Total	**45,253.26**	41,045.30

30.1 Other Interest includes interest on income tax refund ₹ **108.07 Crore** (Previous Year ₹ 143.70 Crore).

30.2 Interest Income on Stage 3 Assets is recognised on the net carrying value (the gross carrying value as reduced by the impairment allowance). Accordingly the total Interest Income is net of such interest on Credit Impaired Assets amounting to ₹ **199.36 Crore** (Previous Year ₹ 154.15 Crore).

Notes forming part of the Consolidated Financial Statements (Continued)

31. Ind AS 116 Leases

The Corporation leases out its investments properties. The Corporation has classified these leases as operating leases, because they do not transfer substantially all of the risk and rewards incidental to the owenership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting period.

Particulars	₹ in Crore
Less than one year	**48.59**
Between one and two years	**44.21**
Between two and three years	**34.46**
Between three and four years	**25.16**
Between four and five years	**14.94**
More than five years	**10.68**
Total	**178.04**

Leasing arrangements - Ind AS 17

₹ in Crore

Particulars	As at March 31, 2019
Within one year	36.89
Later than one year but not later than 5 years	75.60
Later than 5 years	8.72

32. Net gain/(loss) on fair value changes

₹ in Crore

Particulars	**For the year ended March 31, 2020**	For the year ended March 31, 2019
Net gain/(loss) on financial instruments at fair value through profit or loss		
- Investments	**(253.99)**	589.07
- Derivatives	**0.07**	-
- Others reclassified from OCI	**71.80**	122.27
Total Net gain/(loss) on fair value changes	**(182.12)**	711.34
Fair Value changes:		
- Realised	**(111.88)**	214.18
- Unrealised	**(70.24)**	497.16
Total Net gain/(loss) on fair value changes	**(182.12)**	711.34

32.1 The Corporation has derecognised loans on account of assignment transactions resulting in a gains of ₹ **967.87 Crore** (Previous Year ₹ 859.99 Crore).

Notes forming part of the Consolidated Financial Statements (Continued)

33. Incomes pertaining to Insurance Business

₹ in Crore

Paticulars	Note	Life Insurance		Non Life Insurance	
		For the year ended March 31, 2020	For the year ended March 31, 2019	**For the year ended March 31, 2020**	For the year ended March 31, 2019
Premium Income from Insurance Business		**31,707.09**	28,418.96	**9,509.19**	7,761.33
Income from Investments - Dividend		**535.06**	481.67	**5.71**	-
Income from Investments - Interest	33.1	**5,351.51**	4,782.19	**688.44**	496.63
Net Fair value changes on Investments	33.2	**(10,286.99)**	3,633.22	**25.33**	25.90
Income from recoveries from reinsurers		**396.28**	239.67	**4,177.02**	3,631.04
Other Operating Income from Insurance Business		**338.52**	221.78	**8.82**	14.32
Total Incomes of Insurance Business		**28,041.47**	37,777.49	**14,414.51**	11,929.22

33.1 Income from Investments - Interest

₹ in Crore

Paticulars	Life Insurance		Non Life Insurance	
	For the year ended March 31, 2020	For the year ended March 31, 2019	**For the year ended March 31, 2020**	For the year ended March 31, 2019
Interest Income on Financial Assets:				
- Amortised Cost	**0.02**	0.02	**7.89**	3.51
- Fair value through Profit and Loss	**1,185.05**	1,439.32	**-**	-
- Fair value through Other Comprehensive Income	**4,166.44**	3,342.85	**680.55**	493.12
Total	**5,351.51**	4,782.19	**688.44**	496.63

33.2 Net Fair value changes on Investments

₹ in Crore

Paticulars	Life Insurance		Non Life Insurance	
	For the year ended March 31, 2020	For the year ended March 31, 2019	**For the year ended March 31, 2020**	For the year ended March 31, 2019
Net gain/(loss) on financial instruments at fair value through profit or loss				
Investments	**(10,829.29)**	3,593.97	**(50.85)**	9.58
Derivatives	**(57.60)**	-	**-**	-
Others reclassified from OCI	**599.90**	39.25	**76.18**	16.32
Total Net gain/(loss) on fair value changes	**(10,286.99)**	3,633.22	**25.33**	25.90
Fair Value changes:				
- Realised	**1,967.67**	2,283.85	**63.19**	57.89
- Unrealised	**(12,254.66)**	1,349.37	**(37.86)**	(31.99)
Total Net gain/(loss) on fair value changes	**(10,286.99)**	3,633.22	**25.33**	25.90

Notes forming part of the Consolidated Financial Statements (Continued)

34. Finance Costs

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
On Financial liabilities measured at Amortised Cost		
Interest on debt securities	**14,639.61**	14,474.44
Interest on borrowings	**7,276.38**	5,695.63
Interest on deposits	**9,866.72**	8,258.75
Interest on Subordinated Liabilities	**86.42**	583.97
Interest on Lease Liabilities	**31.93**	-
Other charges	**208.39**	512.99
Total Finance Costs	**32,109.45**	29,525.78

35. Impairment on Financial Instruments

₹ in Crore

Particulars	For the year ended March 31, 2020		For the year ended March 31, 2019	
	On Financial Instruments measured at OCI	On Financial Assets measured at Amortised Cost	On Financial Instruments measured at OCI	On Financial Assets measured at Amortised Cost
Loans	-	5,935.34	-	919.18
Investments	0.16	0.62	-	23.50
Others	-	15.00	-	48.51
Total	**0.16**	**5,950.96**	-	991.19
Grand Total	**5,951.12**		991.19	

36. Employee Benefits Expenses

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries and Bonus	**1,211.82**	1,112.10
Contribution to Provident Fund and Other Funds	**96.40**	81.56
Staff Training and Welfare Expenses	**32.48**	32.90
Share Based Payments to employees	**15.96**	221.81
Total	**1,356.66**	1,448.37

36.1 There has been a Supreme Court (SC) judgement dated February 28, 2019, relating to components of salary structure that need to be taken into account while computing the contribution to provident fund under the EPF Act. There are interpretative aspects related to the Judgement including the effective date of application. The Corporation will continue to assess any further developments in this matter for the implications on financial statements, if any.

37. Establishment Expenses

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Rent	**1.47**	116.17
Rates and Taxes	**7.30**	8.69
Repairs and Maintenance - Buildings	**10.83**	9.65
General Office Expenses	**4.29**	74.74
Electricity Charges	**30.52**	28.91
Insurance Charges	**2.37**	1.55
Total	**56.78**	239.71

37.1 Direct operating Expenses arising from Investment Property

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Direct operating expenses arising from investment property that generated rental income	**2.00**	3.10
Direct operating expenses arising from investment property that did not generate rental income	**1.11**	1.51
Total	**3.11**	4.61

37.2 Operating Leases:

In accordance with the Indian Accounting Standard (Ind AS) 116 on 'Leases', the following disclosures in respect of Operating Leases are made:

The Corporation has acquired some of the office premises on operating lease basis for periods ranging from 1 year to 5 years.

On transition to Ind AS 116, the Corporation recognised additional right-of-use asset and additional lease liability. The impact on transition is summarised below:

Impact on Transition on 1 April 2019

Particulars	₹ in Crore
Right-of-use Assets presented in property and equipment	447.97
Lease Liability under Ind AS 116	458.24

Rights of use assets

Right to use assets relates to office premises obtained on leases that are presented within Property, plants and equipments.

Particulars	₹ in Crore
Balance as at 1 April 2019	447.97
Additions	159.23
Deductions	36.28
Depreciation charge for the year	(215.33)
Balance as at 31 March 2020	**428.15**

Notes forming part of the Consolidated Financial Statements (Continued)

When measuring lease liabilities for leases that were classified as operating leases, the Corporation discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted average rate applied is ranging between 7.6 to 10.5%.

Particulars	₹ in Crore
Operating lease commitments as at April 1, 2019	404.25
Right-of-use Assets recognised in property and equipment	447.97
Lease Liability under Ind AS 116	458.24

The difference between the lease obligation recorded as of March 31, 2019 under Ind AS 17 amounting to ₹ 198.48 Crore and the value of the lease liability as of April 1, 2019 is primarily on account of inclusion of cancellable lease period and extension options reasonably certain to be exercised, in measuring the lease liability in accordance with Ind AS 116 and discounting the lease liabilities to the present value under Ind AS 116.

Amount Recognised in Statement of Profit & Loss Account

Particulars	₹ in Crore
Interest on lease liabilities	31.93
Depreciation charge for the period	215.33
Total	**247.26**

Cash out flow on account of lease payment is ₹ **153.49 Crore.**

₹ in Crore

Period	For the year ended March 31, 2020	For the year ended March 31, 2019
	Ind AS 116	Ind AS 17
Not later than one year	**138.19**	4.24
Later than one year but not later than five years	**308.08**	14.05
Later than five years	**74.37**	-

38. **Expenses pertaining to Insurance Business** ₹ in Crore

Paticulars	Life Insurance		Non Life Insurance	
	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019
Finance Cost				
Acquisition Cost	**1,408.72**	836.17	**773.64**	662.86
Impairment on financial instruments [Refer note 38.1]	**34.20**	17.22	**44.77**	158.01
Employee Benefits Expenses [Refer note 38.2]	**1,716.95**	1,431.66	**441.23**	340.60
Depreciation, amortisation and impairment	**54.38**	45.47	**46.47**	33.73
Other Expenses [Refer note 38.3]	**2,828.45**	2,731.44	**1,045.78**	761.57
Premium on reinsurance ceded	**470.27**	266.20	**4,659.55**	3,951.32
Gross Benefits paid	**17,936.43**	12,724.91	**6,923.06**	5,724.77
Net change in insurance contract liabilities	**3,729.54**	17,786.18	**-**	-
Change in Policyholders' surplus to be allocated	**(1,340.96)**	449.01	**-**	-
Change in Funds for Future appropriation - Participating Fund	**(219.97)**	143.81	**-**	
Total	**26,618.01**	36,432.07	**13,934.50**	11,632.86

Notes forming part of the Consolidated Financial Statements (Continued)

38.1 Impairment on financial instruments

₹ in Crore

Particulars	Life Insurance		Non Life Insurance	
	For the year ended March 31, 2020	For the year ended March 31, 2019	**For the year ended March 31, 2020**	For the year ended March 31, 2019
Investments				
- Amortised cost	**1.65**	0.41	**32.78**	4.55
- Fair value through other comprehensive Income	**0.72**	0.31	**11.99**	153.46
Other standard and Non standard assets	**31.83**	16.50	**-**	-
Total	**34.20**	17.22	**44.77**	158.01

38.2 Employee Benefits Expenses

₹ in Crore

Particulars	Life Insurance		Non Life Insurance	
	For the year ended March 31, 2020	For the year ended March 31, 2019	**For the year ended March 31, 2020**	For the year ended March 31, 2019
Salaries and Bonus	**1,594.26**	1,356.03	**406.25**	318.25
Contribution to Provident Fund and Other Funds	**74.35**	51.46	**30.72**	16.38
Share Based Payments to employees	**48.34**	24.17	**4.26**	5.97
Total	**1,716.95**	1,431.66	**441.23**	340.60

38.3 Other Expenses

₹ in Crore

Particulars	Life Insurance		Non Life Insurance	
	For the year ended March 31, 2020	For the year ended March 31, 2019	**For the year ended March 31, 2020**	For the year ended March 31, 2019
Rent, rates & taxes	**70.50**	81.40	**28.80**	37.56
Repairs and maintenance	**4.34**	7.62	**15.89**	15.33
Communication expenses	**25.36**	29.01	**8.66**	21.01
Printing & stationery	**12.75**	12.90	**19.23**	14.83
Advertising and publicity	**1,069.57**	983.65	**419.20**	239.57
Legal and professional charges	**210.50**	180.55	**295.43**	242.67
Travel, Conveyance and vehicle running expenses	**34.39**	30.09	**32.70**	17.25
Auditors' Remuneration	**1.51**	1.70	**1.28**	1.24
Bank charges	**17.01**	13.44	**38.14**	37.99
Information technology expenses	**119.80**	112.69	**44.80**	40.48
General office and other expenses	**82.42**	60.00	**67.35**	29.87
Training Expenses	**115.69**	87.35	**74.30**	63.77
Medical cost	**22.05**	21.01	**-**	-
Acquisition Cost for Financial Instruments designated as FVTPL	**54.31**	41.56	**-**	-
Stamp duty expense	**132.40**	103.61	**-**	-
Business Development expenses	**509.81**	636.55	**-**	-
Goods and service tax expense	**346.04**	328.31	**-**	-
Total	**2,828.45**	2,731.44	**1,045.78**	761.57

Notes forming part of the Consolidated Financial Statements (Continued)

39. Other Expenses

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Travelling and Conveyance	**33.08**	34.78
Printing and Stationery	**27.76**	39.73
Postage, Telephone and Fax	**48.77**	44.22
Advertising	**52.34**	44.21
Business Development Expenses	**63.78**	89.01
Brokerage and commission expenses relating to Mutual Fund Schemes	**27.31**	240.26
Loan Processing Expenses	**74.52**	59.02
Manpower Outsourcing	**104.77**	90.41
Repairs and Maintenance - Other than Buildings	**41.62**	37.53
Office Maintenance	**49.00**	44.89
Legal Expenses	**60.03**	7.11
Computer Expenses	**41.16**	35.62
Directors' Fees and Commission	**14.43**	13.00
CSR expenses [Refer Note 39.2]	**264.19**	208.06
Miscellaneous Expenses	**155.46**	122.17
Auditors' Remuneration [Refer Note 39.1]	**7.90**	9.73
Total	**1,066.12**	1,119.75

39.1 Payments to Auditors'

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Audit Fees	**5.63**	6.80
ICFR Fees	**0.40**	0.35
Limited Reviews	**1.89**	1.57
Tax Matters	**1.00**	1.40
Other Matters and Certification	**1.70**	2.43
Reimbursement of Expenses	**0.07**	0.12
Total	**10.69**	12.67
Less: Auditors' remuneration included in other expenses pertaining to Insurance business	**2.79**	2.94
Net Auditors' remuneration disclosed above	**7.90**	9.73

Auditors' Remuneration above is excluding Goods and Service Tax.

39.2 Expenditure incurred for corporate social responsibility for ₹ 264.19 Crore (Previous Year ₹ 222.67)

The details of amounts spent towards CSR are as under:

₹ in Crore

Particulars	In Cash	Yet to be paid	Total
a) Construction/acquisition of any asset			-
b) On purposes other than (a) above	**264.19**		264.19

* Out of the above ₹ **Nil** (Previous Year ₹ 14.61 Crore) was spent from the Shelter Assistance Reserve.

Notes forming part of the Consolidated Financial Statements (Continued)

40. Income Taxes relating to continuing operations

40.1 Income Tax recognised in profit or loss

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Current Tax		
In respect of the current year	**3,415.75**	4,370.02
In respect of prior years	**-**	-
Deferred Tax		
In respect of the current year	**(48.97)**	148.43
Deferred tax reclassified from equity to profit or loss	**-**	-
MAT Credit		
In respect of the current year	**-**	-
Total Income tax expense recognised in the current year relating to continuing operations	**3,366.78**	4,518.45

40.2 Reconciliation of income tax expense of the year can be reconciled to the accounting profit as follows:

₹ in Crore

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit before tax	**20,447.15**	14,709.14
Income tax expense calculated at 25.168% (Previous Year 34.944%)	**5,146.14**	5,139.97
Effect of expenses that are not deductible in determining taxable profit	**177.29**	348.71
Effect of incomes which are taxed at different rates	**(1,439.07)**	(193.82)
Effect of incomes which are exempt from tax	**(955.51)**	(144.75)
Effect on deferred tax balances due to the changes in income tax rate	**256.28**	-
Deduction under section 36(1)(viii) of the Income tax Act, 1961	**(363.93)**	(489.17)
Others	**545.58**	(142.49)
Income tax expense recognised in statement of profit and loss	**3,366.78**	4,518.45

The tax rate used for the reconciliations above is the corporate tax rate of 25.168% for the year 2019-20 and 34.944% for the year 2018-19 payable by corporate entities in India on taxable profits under tax law in Indian jurisdiction.

The evaluation of uncertain tax positions involves an interpretation of relevant tax laws which could be subject to challenge by the tax authorities and an assessment of whether the tax authorities will accept the position taken. The Corporation does not currently consider that assumptions or judgements made in assessing tax liabilities have a significant risk resulting in a material adjustment within the next financial year. (Refer Note 44.2)

Notes forming part of the Consolidated Financial Statements (Continued)

41. Other Comprehensive Income

₹ in Crore

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in fair value of FVOCI equity instruments	**(7,095.99)**	(52.46)
Remeasurements of post-employment benefit obligations	**(54.51)**	(22.06)
Remeasurements of post-employment benefit obligations - Pending transfer to Shareholders		2.14
Total	**(7,150.50)**	(72.38)
Income tax relating to these items	**620.12**	17.80
Items that may be reclassified to profit or loss		
Changes in fair value of FVOCI debt instruments	**3,236.65**	420.47
Changes in fair value of FVOCI debt instruments - Pending transfer to Shareholders	**(3,095.15)**	(444.32)
Deferred gains/(losses) on cash flow hedges	**33.85**	15.23
Deferred costs of hedging	**28.62**	(3.75)
Total	**203.97**	(12.37)
Income tax relating to these items	**(31.55)**	(0.60)
Share of Other Comprehensive Income of an associate [Refer Note 9]	**144.54**	149.27
Other comprehensive income for the year	**(6,213.42)**	81.72

42. Retirement benefits plan

A. Defined contribution plans

The Corporation recognised ₹ **15 Crore** (Previous Year ₹ 16.17 Crore) for superannuation contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Corporation are at rates specified in the rules of the schemes.

Provident Fund

The fair value of the assets of the provident fund and the accumulated members' corpus is ₹ **525.10 Crore** and ₹ **510.73 Crore** respectively (Previous Year ₹ 441.38 Crore and ₹ 440.06 Crore respectively). In accordance with an actuarial valuation, there is a deficit of ₹ 1.34 Crore in the interest cost as the present value of the expected future earnings on the fund is less than the expected amount to be credited to the individual members based on the expected guaranteed rate of interest of 8.50%. The actuarial assumptions include discount rate of **6.84%** (Previous Year 7.77%) and an average expected future period of **14 years** (Previous Year 14 years). Expected guaranteed interest rate (weighted average yield) is **8.62%** (Previous Year 8.80%).

B. Defined Benefits Plan

i. Characteristics of defined benefit plan

The Corporation has a defined benefit gratuity plan in India (funded). The Corporation's defined benefit gratuity plan is a final salary plan for employees, which requires contributions to be made to a separately administered fund. The fund is managed by a trust which is governed by the Board of Trustees. The Board of Trustees are responsible for the administration of the plan assets and for the definition of the investment strategy.

ii. **Risks associated with defined benefit plan**

Gratuity is a defined benefit plan and Corporation is exposed to the following risks:

a. **Interest Rate Risk:** A fall in the discount rate which is linked to the G.Sec. Rate will increase the present value of the liability requiring higher provision. A fall in the discount rate generally increases the mark to market value of the assets depending on the duration of asset.

b. **Salary Risk:** The present value of the defined benefit plan liability is calculated by reference to the future salaries of members. As such, an increase in the salary of the members more than assumed level will increase the plan's liability.

c. **Investment Risk:** The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds. If the return on plan asset is below this rate, it will create a plan deficit. Currently, for the plan in India, it has a relatively balanced mix of investments in government securities, and other debt instruments.

d. **Asset Liability Matching Risk:** The plan faces the (Asset Liability Management) ALM risk as to the matching cash flow. Since the plan is invested in lines of Rule 101 of Income Tax Rules, 1962, this generally reduces ALM risk. Mortality risk: Since the benefits under the plan is not payable for life time and payable till retirement age only, plan does not have any longevity risk.

iii. **Characteristics of defined benefit plans**

During the year, there were no plan amendments, curtailments and settlements.

A separate trust fund is created to manage the Gratuity plan and the contributions towards the trust fund is done as guided by rule 103 of Income Tax Rules, 1962.

C. **Other Post Retirement Benefit Plan**

The details of the Corporation's post-retirement benefit plans for its employees including whole-time directors are given below which is as certified by the actuary and relied upon by the auditors:

The Principal Assumptions used for the purpose of the actuarial valuation were as follows.

Particulars	**March 31, 2020**	March 31, 2019
Discount Rate	**6.5 to 7%**	7-8%
Return on Plan Assets	**6.5 to 7%**	7-8%
Salary Escalation	**6-12%**	6-12%

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

Notes forming part of the Consolidated Financial Statements (Continued)

Amount recognised in Statement of Profit and Loss in respect of these defined benefit plan are as follows.

₹ in Crore

Particulars	March 31, 2020	March 31, 2019
Service Cost:		
Current Service Cost	**33.66**	29.07
Interest Cost	**10.99**	7.54
Components of defined benefit costs recognised in profit or loss	**44.66**	36.61
Remeasurement on the net defined benefit liability:		
Actuarial (Gains)/Losses on Obligation For the Period	**54.18**	18.12
Return on Plan Assets, Excluding Interest Income	**4.98**	6.42
Components of defined benefit costs recognised in other comprehensive income	**59.15**	24.54
Total	**103.81**	61.15

The current service cost and the net interest expense for the year are included in the 'Employee benefits expenses' line item in the statement of profit and loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the balance sheet arising from the Corporation's obligation in respect of its defined benefit plan is as follows:

₹ in Crore

Particulars	March 31, 2020	March 31, 2019
Present value of funded defined benefit obligation	**507.85**	422.92
Fair value of plan assets	**358.20**	316.92
Net Liability arising from defined benefit obligation	**149.65**	106.00

Movement in the present value of the defined benefit obligation are as follows.

₹ in Crore

Particulars	March 31, 2020	March 31, 2019
Opening defined benefit obligation	**422.92**	371.65
Current Service Cost	**33.66**	29.07
Interest Cost	**33.25**	28.83
Benefits Paid	**(30.90)**	(26.62)
Actuarial Gains - Due to change in Financials Assumptions	**35.65**	4.54
Actuarial Losses - Due to Experience	**21.83**	15.45
Other adjustments	**(8.56)**	-
Closing defined benefit obligation	**507.85**	422.92

The Liability at the end of the year ₹ **507.86 Crore** (Previous Year ₹ 422.92 Crore) includes ₹ **76.47 Crore** (Previous Year ₹ 63.19 Crore) in respect of an un-funded plan.

Notes forming part of the Consolidated Financial Statements (Continued)

Movement in the fair value of the plan assets are as follows.

₹ in Crore

Particulars	March 31, 2020	March 31, 2019
Opening fair value of Plan Assets	**316.92**	296.84
Expected Return on Plan Assets	**21.15**	18.06
Contributions	**36.93**	15.66
Actuarial loss on Plan Assets	**(7.85)**	(7.19)
Benefits paid	**(6.19)**	(6.45)
Other adjustments	**(2.76)**	-
Closing fair value of Plan Assets	**358.20**	316.92

Investment Pattern:

% Invested

Particulars	March 31, 2020	March 31, 2019
Central Government securities	**2.45%**	10.76%
State Government securities/securities guaranteed by State/Central Government	**23.98%**	9.07%
Public Sector / Financial Institutional Bonds	**3.23%**	11.41%
Private Sector Bonds	**21.07%**	6.47%
Deposits with Banks and Financial Institutions	**0.93%**	16.67%
Equity Shares	**40.29%**	40.75%
Others (including bank balances)	**8.05%**	4.87%
Total	**100.00%**	100.00%

Compensated absences

The actuarial liability of compensated absences of privilege leave of the employees of the Corporation is ₹ **258.79 Crore** (Previous Year ₹ 123.39 Crore).

Sensitivity Analysis

₹ in Crore

Particulars	March 31, 2020	March 31, 2019
Projected Benefit Obligation on Current Assumptions	**333.77**	278.27
Delta Effect of +1% Change in Rate of Discounting	**(83.83)**	(64.59)
Delta Effect of -1% Change in Rate of Discounting	**106.60**	81.03
Delta Effect of +1% Change in Rate of Salary Increase	**107.53**	81.02
Delta Effect of -1% Change in Rate of Salary Increase	**(85.12)**	(64.97)
Delta Effect of +1% Change in Rate of Employee Turnover	**65.37**	6.33
Delta Effect of -1% Change in Rate of Employee Turnover	**(68.82)**	(23.32)

The sensitivity analysis have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analysis presented above may not be representative of the actual change in the projected benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Notes forming part of the Consolidated Financial Statements (Continued)

Furthermore, in presenting the above sensitivity analysis, the present value of the projected benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as applied in calculating the projected benefit obligation as recognised in the balance sheet.

Maturity Analysis of the Benefit Payments: From the Fund

₹ in Crore

Projected Benefits Payable in Future Years From the Date of Reporting	March 31, 2020	March 31, 2019
1st Following Year	**45.96**	67.25
2nd Following Year	**31.84**	18.08
3rd Following Year	**50.93**	28.56
4th Following Year	**26.59**	32.55
5th Following Year	**25.41**	27.58
Sum of Years 6 To 10	**140.40**	112.66
Sum of Years 11 and above	**527.16**	449.97

43. Earnings per Share

In accordance with the Indian Accounting Standard (Ind AS) 33 on 'Earnings Per Share':

In calculating the Basic Earnings Per Share, the Profit After Tax of ₹ **22,286.47 Crore** (Previous Year ₹ 17,580.51 Crore) has been adjusted for amounts utilised out of Shelter Assistance Reserve of ₹ **3.11 Crore** (Previous Year ₹ 14.94 Crore).

The reconciliation between the Basic and the Diluted Earnings Per Share is as follows :

Amount in ₹

Particulars	Current Year	Previous Year
Basic Earnings Per Share	**124.14**	95.40
Effect of outstanding Stock Options	**(0.95)**	(0.74)
Diluted Earnings Per Share	**123.19**	94.66

The Basic Earnings Per Share has been computed by dividing the adjusted Profit After Tax by the weighted average number of equity shares for the respective periods; whereas the Diluted Earnings Per Share has been computed by dividing the adjusted Profit After Tax by the weighted average number of equity shares, after giving dilutive effect of the outstanding Stock Options for the respective periods. The relevant details as described above are as follows :

Number in Crore

Particulars	Current Year	Previous Year
Weighted average number of shares for computation of Basic Earnings Per Share	**172.64**	170.14
Diluted effect of outstanding Stock Options	**1.34**	1.34
Weighted average number of shares for computation of Diluted Earnings Per Share	**173.98**	171.48

44. Contingent Liabilities and commitments

44.1 The Corporation is involved in certain appellate, judicial and arbitration proceedings (including those described below) concerning matters arising in the normal course of business including claims from revenue authorities, customers, contingencies arising from having issued guarantees to lenders or to other entities. The proceedings in respect of these matters are in various stages. Management has assessed the possible obligations arising from such claims against the Corporation, in accordance with the requirements of Indian Accounting Standard (Ind AS) 37 and based on judicial precedents, consultation with lawyers or based on its historical experiences. Accordingly, management is of the view that based on currently available information no provision in addition to that already recognised in its financial statements is considered necessary in respect of the above.

44.2 Given below are amounts in respect of claims asserted by revenue authorities and others:

Contingent liability in respect of income-tax demands, net of amounts provided for and disputed by the Corporation, amounts to ₹ **2,078.01 Crore** (Previous Year ₹ 1,820.25 Crore). The said amount has been paid/ adjusted and will be received as refund if the matters are decided in favour of the Corporation.

Contingent liability in respect of disputed dues towards wealth tax, service tax, interest on lease tax, and payment towards employers' contribution to ESIC not provided for by the Corporation amounts to ₹ **112.45 Crore** (Previous Year ₹ 115.27 Crore).

The Management is generally unable to reasonably estimate a range of possible loss for proceedings or disputes other than those included in the estimate above as plaintiffs / parties have not claimed an amount of money damages, the proceedings are in early stages and/or there are significant factual issues to be resolved.

The management believes that the above claims made are untenable and is contesting them.

44.3 Contingent liability in respect of guarantees and undertakings comprise of the following:

a) Guarantees ₹ **386.10 Crore** (Previous Year ₹ 535.32 Crore).

b) Corporate undertakings for securitisation of receivables aggregated to ₹ **1,152.71 Crore** (Previous Year ₹ 1,838.13 Crore). The outflows would arise in the event of a shortfall, if any, in the cash flows of the pool of the securitised receivables.

In respect of these guarantees and undertaking, the management does not believe, based on currently available information, that the maximum outflow that could arise, will have a material adverse effect on the Corporation's financial condition.

44.4 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ **3,460.97 Crore** (Previous Year ₹ 2,627.76 Crore).

44.5 Claimes not acknowledged as debt and other contingent liabilities in respect of a subsidiary company amounts to ₹ **39.69 Crore** (Previous Year ₹ 35.53 Crore) .

44.6 **Proposed Dividend**

During the previous year, the Board of Directors have proposed dividend on equity shares at ₹ **21 per share** at their meeting held on May 25, 2020. As per the Companies (Accounting Standard) Amendment Rules, 2016, the dividend will be recorded after the approval in the ensuing Annual General Meeting.

Notes forming part of the Consolidated Financial Statements (Continued)

45. Segment Reporting

As per the Ind AS 108 dealing with 'Operating Segments', the main segments and the relevant disclosures relating thereto are as follows:

For the year ended March 31, 2020

₹ in Crore

Particulars	Loans	Life Insurance	General Insurance	Asset Management	Others	Inter-segment adjustments	Unassociated	Total
Segment Revenue	60,396.80	28,165.41	14,793.45	2,153.95	838.92	(4,682.94)	130.31	101,795.90
Segment Result	20,752.37	1,283.42	691.95	1,683.47	176.53	(4,270.91)	130.32	20,447.15
Share of profit of associates	-	-	-	-	-	-	5,746.10	5,746.10
Income-tax (Current)	-	-	-	-	-	-	3,415.75	3,415.75
Deferred tax	-	-	-	-	-	-	(48.97)	(48.97)
Total Result	20,752.37	1,283.42	691.95	1,683.47	176.53	(4,270.91)	2,509.64	22,826.47
Segment Assets	5,07,046.08	1,39,676.67	23,271.49	4,830.77	880.95	-	54,108.97	7,29,814.93
Segment Liabilities	4,43,634.85	1,33,068.82	18,555.20	277.49	149.78	-	292.31	5,95,978.45
Net Assets	63,411.23	6,607.85	4,716.29	4,553.28	731.17	-	53,816.66	1,33,836.48
Other Information								
Capital Expenditure	185.69	33.37	55.21	54.83	27.04	-	-	356.14
Depreciation	182.52	55.32	46.47	41.97	30.68	-	-	356.96
Non cash expenses other than Depreciation	6,905.56	12,495.02	84.58	7.30	3.46	-	-	19,495.91

For the year ended March 31, 2019

₹ in Crore

Particulars	Loans	Life Insurance	General Insurance	Asset Management	Others	Inter-segment adjustments	Unassociated	Total
Segment Revenue	44,802.57	38,248.74	12,094.72	2,254.72	687.93	(1,893.98)	0.17	96,194.87
Segment Result	12,685.20	1,495.00	421.64	1,396.22	219.89	(1,508.96)	0.15	14,709.14
Share of profit of associates	-	-	-	-	-	-	7,389.82	7,389.82
Income-tax (Current)	-	-	-	-	-	-	4,370.02	4,370.02
Deferred tax	-	-	-	-	-	-	148.43	148.43
Total Result	12,685.20	1,495.00	421.64	1,396.22	219.89	(1,508.96)	2,871.52	17,580.51
Segment Assets	4,61,218.46	1,32,902.91	14,029.66	4,095.57	554.77	-	48,073.75	6,60,875.12
Segment Liabilities	4,02,742.63	1,27,488.36	12,108.55	167.34	87.27	-	302.45	5,42,896.60
Net Assets	58,475.83	5,414.55	1,921.11	3,928.23	467.50	-	47,771.30	1,17,978.52
Other Information								
Capital Expenditure	116.97	19.49	21.47	22.69	30.35	-	-	210.97
Depreciation	70.82	45.47	33.73	13.28	11.90	-	-	175.20
Non cash expenses other than Depreciation	1,137.64	41.48	158.71	73.85	-	-	-	1,411.68

a) The Group identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss amounts are evaluated regularly by the Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance.

Notes forming part of the Consolidated Financial Statements (Continued)

b) The accounting policies adopted for segment reporting are in line with the accounting policies of the Group. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

c) Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

d) Revenue, expenses, assets and liabilities which relate to the Group as a whole and are not allocable to segments on reasonable basis have been included under unallocated revenue / expenses / assets / liabilities.

e) Loans segment mainly comprises of Group's financing activities for housing and also includes financing of commercial real estate and others through the Corporation and its subsidiaries GRUH Finance Limited (upto August 30, 2019) and HDFC Credila Financial Services Private Limited.

f) Asset Management segment includes portfolio management, mutual fund and property investment management.

g) Others includes project management, investment consultancy and property related services.

i) **Geographic information**

The geographic information analyses the Group's revenues and non-current assets by the Company's country of domicile and other countries. In presenting geographic information, segment revenue has been based on the selling location in relation to sales to customers and segment assets are based on geographical location of assets.

The group does not have any material operations outside India and hence, disclosure of geographic segments is not given.

Revenue from external customers:

₹ in Crore

Particulars	2019-2020	2018-2019
India	**1,01,741.34**	96,125.74
United Arab Emirates	**36.99**	33.31
Singapore	**15.96**	15.34
Mauritius	**1.61**	20.48
Total	**1,01,795.90**	96,194.87

Assets other than financial instruments and tax assets:

₹ in Crore

Particulars	2019-2020	2018-2019
India	**6,222.92**	3,296.25
United Arab Emirates	**1.84**	0.77
Singapore	**0.46**	-
Mauritius	**-**	0.04
Total	**6,225.22**	3,297.06

No single customer represents 10% or more of the Group's total revenue for the year ended March 31, 2020 and March 31, 2019.

Notes forming part of the Consolidated Financial Statements (Continued)

46. Share-based payments

The details of the various stock options granted to employees pursuant to the Corporation's Stock Options Schemes and outstanding as on date are as under:

Particulars	ESOS-17	ESOS-14	ESOS-11	ESOS-08	ESOS-07
Plan period	2017-20	2014-17	2011-14	2008-11	2007-10
Quantum of Options	4,30,02,977	62,73,064	61,02,475	57,90,000	54,56,835
Equivalent number of shares of FV of ₹ 2 per share	4,30,02,977	3,13,65,320	3,05,12,375	2,89,50,000	2,72,84,175
Method of Accounting	Fair Value	Intrinsic value	Intrinsic value	Intrinsic value	Intrinsic value
Vesting period	1-3 years	1-3 years	1-3 years	1-3 years	1-3 years
Vesting condition(s)	Continued employment	Continued employment	Continued employment	Continued employment	Continued employment
Exercise period	5 Years from date of Vesting	5 Years from date of Vesting	5 Years from date of Vesting	5 Years from date of Vesting	5 Years from date of Vesting
Grant date	01/06/2017 30/10/2017 29/01/2018 16/03/2018 02/08/2019	8-Oct-14	23-May-12	25-Nov-08	12-Sep-07
Grant / Exercise price (₹ per Option)	₹ 1,569.85 to ₹ 2,086.80	₹ 5,073.25	₹ 3,177.50	₹ 1,350.60	₹ 2,149.00
Value of Equity Shares as on date of Grant of Original Option (₹ per share)	₹ 1,569.85 to ₹ 2,086.80	₹ 5,073.25	₹ 3,177.50	₹ 1,350.60	₹ 2,149.00

Method used for accounting for share based payment plan:

The stock options granted to employees pursuant to the Corporation's Stock Options Schemes, are measured at the fair value of the options at the grant date using Black-Scholes model. The fair value of the options determined at grant date is recognised as employee compensation cost over the vesting period on straight line basis over the period of option, based on the number of grants expected to vest, with corresponding increase in equity.

Movement during the year in the options under ESOS-17, ESOS-14, ESOS-11, ESOS-08 and ESOS-07:

Details of Activity in the options as at March 31, 2020

Number of options

Particulars	ESOS-17	ESOS-14	ESOS-11	ESOS-08	ESOS-07
Outstanding at the beginning of the year	**4,04,44,710**	**31,47,541**	**4,593**	**4,874**	**5,287**
Granted during the year	**1,57,000**	-	-	-	-
Exercised during the year	**37,20,484**	**13,74,909**	**3,754**	-	-
Lapsed during the year	**40,312**	**1,271**		-	-
Outstanding at the end of the year	**3,68,40,914**	**17,71,361**	**839**	**4,874**	**5,287**
Unvested at the end of the year	**8,57,220**	-	-	-	-
Exercisable at the end of the year	**3,59,83,694**	**17,71,361**	**839**	-	-
Weighted average price per option	**1,573.22**	**5,073.25**	**3,177.50**	**1,350.60**	**2,149.00**
Weighted average remaining contractual life	**3.26**	**0.55**	-	-	-

Details of Activity in the options as at March 31, 2019

Number of options

Particulars	ESOS-17	ESOS-14	ESOS-11	ESOS-08	ESOS-07
Outstanding at the beginning of the year	4,24,42,106	42,64,210	435,254	4,874	5,287
Granted during the year	-	-	-	-	-
Exercised during the year	18,41,716	11,16,519	429,663	-	-
Lapsed during the year	1,55,680	150	998	-	-
Outstanding at the end of the year	4,04,44,710	31,47,541	4,593	4,874	5,287
Unvested at the end of the year	18,56,556	-	-	-	-
Exercisable at the end of the year	3,85,88,154	31,47,541	4,593	4,874	5,287
Weighted average price per option	1,571.33	5,073.25	3,177.50	1,350.60	2,149.00
Weighted average remaining contractual life	4.25	1.55	-	-	-

With effect from August 21, 2010, the nominal face value of equity shares of the Corporation was sub-divided from ₹ 10 per share to ₹ 2 per share. Each option exercised under ESOS-07, ESOS-08, ESOS-11 and ESOS-14 entitles 5 equity shares of ₹ 2 each. An option exercised under ESOS-17 entitles 1 equity share of ₹ 2 each.

Fair Value Methodology:

The fair value of options have been estimated on the date of grant using Black-Scholes model as under:

The key assumptions used in Black-Scholes model for calculating fair value under ESOS-2017, ESOS-2014, ESOS-2011, ESOS-2008 and ESOS-2007, as on the date of grant, are as follows :

Particulars	ESOS-2017*	ESOS-2014	ESOS-2011	ESOS-2008	ESOS-2007
Risk-free interest rate (p.a.)	6.62%	8.28%	8.06%	6.94%	7.70%
Expected life	Upto 3 years	Upto 3 years	Upto 2 years	Upto 2 years	Upto 2 years
Expected volatility of share price	16%	15%	15%	29%	19%
Expected growth in dividend (p.a.)	20%	20%	20%	20%	20%
The weighted average fair value, as on the date of grant (per Stock Option)	₹ 275.40	₹ 1,035.91	₹ 474.56	₹ 238.79	₹ 307.28

Volatility is measure of the amount by which price has fluctuated or is expected to fluctuate during a period. The measure of volatility used in Black-Scholes Model is the annualised standard deviation of the continuously compounded rates of return on stock over a period of time.

* The stock based compensation expense determined under fair value based method and charged to the statement of profit and loss is ₹ **13.64 Crore** (Previous Year ₹ 211.09 Crore).

Notes forming part of the Consolidated Financial Statements (Continued)

47. Related Party Transactions

As per Ind AS-24, Related Party Disclosure, the Group's related parties are disclosed below:

Associates
HDFC Bank Limited
Good Host Spaces Private Limited
Magnum Foundations Private Limited
True North Ventures Private Limited
HDFC Securities Limited
(Subsidiary of HDFC Bank Limited)
HDB Financial Services Limited
(Subsidiary of HDFC Bank Limited)

Investing Party and its Group Companies
ERGO International AG
Munich Re
Standard Life Investments Limited
Standard Life (Mauritius Holdings) 2006 Limited

Entities over which control is exercised
H T Parekh Foundation
HDFC Employees Welfare Trust
HDFC Employees Welfare Trust 2

Entities where Directors/Close family members of Directors of the Corporation have control/ significant influence
Saumitra Research & Consulting Pvt Ltd
Mefree LLP
Parjanya Commercials LLP
Leeladhar Enterprises LLP
Grosqr LLP
Cisgro Solutions LLP
Capserve LLP
Bexley Advisors Private Limited
Cronus Merchandise LLP
Sportscom Association
Amp Fitness LLP
Sigma Consultancy LLP

Post employment benefit plans of the Corporation or its related entities
(where there are transactions)
Housing Development Finance Corporation Limited Provident Fund
Superannuation Fund of Housing Development Finance Corporation Limited
Gratuity Fund of Housing Development Finance Corporation Limited
Gratuity Assurance Scheme
HDFC Capital Advisors Limited Gratuity Fund
HDFC ERGO General Insurance Company Limited Superannuation Fund
HDFC ERGO General Insurance Company Limited Employees Gratuity Trust

Key Management Personnel
(Whole-time Directors)
Mr. Keki M. Mistry (Vice Chairman & CEO)
Ms. Renu Sud Karnad (Managing Director)
Mr. V. Srinivasa Rangan (Executive Director)

Relatives of Key Management Personnel
(Whole-time Directors)
(where there are transactions)
Mr Singhal Nikhil
Mr. Ashok Sud
Mr. Bharat Karnad
Ms. Arnaaz K Mistry
Ms. Tinaz K Mistry

Key Management Personnel
(Non-executive directors)
Mr. Deepak S Parekh (Chairman)
Mr. Nasser Munjee
Dr. J. J. Irani
Mr. U. K. Sinha
Ms. Ireena Vittal
Dr. Bhaskar Ghosh
Mr. Jalaj Dani

Relatives of Key Management Personnel (Non-executive directors)
(where there are transactions)
Mr. Siddharth D Parekh
Ms. Harsha Shantilal Parekh
Ms. Smita D Parekh
Mr. Malav A Dani
Mrs. Niamat Mukhtar Munjee

Notes forming part of the Consolidated Financial Statements (Continued)

The Group's related party transactions and balances are summarised as follows:

₹ in Crore

Nature of related party	Nature of Transaction/s	March 31, 2020	March 31, 2019
Investing Party and its Group Companies	Consultancy, Fees & Other Income	**1.31**	1.70
	Other Income	**3.74**	4.26
	Reinsurance Income	**283.97**	236.76
	Interest Expense	**12.95**	12.92
	Reinsurance Expenses	**401.29**	227.51
	Other Advances / Receivables	**1.25**	8.74
	Non-Convertible Debentures Closing balance	**170.00**	170.00
	Other Liabilities / Payables	**228.61**	74.43
	Dividend Paid	**76.38**	223.21
Associates	Dividend Income	**1,195.49**	729.32
	Rent Income	**1.50**	1.48
	Support cost recovered (Prorata Building Maintenance Cost)	**0.40**	0.70
	Premium Received	**118.91**	124.93
	Interest Income	**76.88**	33.93
	Other Income	**469.76**	387.05
	Reimbursement of Cost	**2.18**	1.61
	Interest Expense	**34.25**	155.78
	Bank & Other Charges	**41.88**	34.77
	Sitting Fees	**0.01**	-
	Donation$	**3.00**	-
	Provision for Diminution in the value of Investments	**2.19**	2.17
	Other Expenses/ Payments	**2,081.13**	1,828.54
	Investments made during the year	**86.71**	8,569.75
	Securities sold of other entities	**487.28**	-
	Investments - Debentures & Bonds Closing balance	**911.71**	526.17
	Investments- Debentures & Bonds Sold	-	35.00
	Securities purchased of other entities	**2,776.11**	2,218.61
	Loans given	**4.52**	0.22
	Loans Sold	**24,127.25**	23,982.42
	Loans Closing balance	**31.53**	27.02
	Bank Deposits placed	**783.26**	367.10
	Bank Deposits matured / withdrawn	**268.95**	1,400.64
	Bank Balance and Deposits Closing balance	**4,865.38**	1,916.94
	Trade Receivable	**51.64**	46.16
	Other Advances / Receivables	**165.81**	109.64

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Nature of related party	Nature of Transaction/s	March 31, 2020	March 31, 2019
	Prepaid Premium	**1.12**	2.11
	Deposits Received	**75.00**	0.96
	Non-Convertible Debentures (Allotments under Primary Market)	**-**	685.00
	Non-Convertible Debentures - Redemption	**-**	428.00
	Non-Convertible Debentures Closing balance	**-**	1,315.00
	Other Liabilities / Payables	**784.47**	1,214.97
	Amounts payable - Securitised Loans Closing balance	**387.80**	452.01
	Deposits Matured / Repaid	**75.00**	0.96
	Dividend Paid	**0.02**	0.18
	Guarantees	**2.09**	3.29
	Issuance of Letter of Comfort	**-**	6.00
Entities over which control is exercised	Support cost recovered (Deputation cost recovered)	**0.21**	0.41
	Interest Expense	**13.68**	9.45
	Donation@	**182.80**	143.14
	Trade Receivable	**0.02**	-
	Deposits Received	**-**	112.26
	Deposits repaid / matured	**21.01**	70.00
	Deposits Closing balance	**151.25**	172.26
	Other Liabilities / Payables	**0.17**	0.07
	Dividend Paid	**0.09**	-
Entities over which Director/ closed family member of director having control/ jointly control	Interest Income	**20.68**	
	Loans repaid	**300.00**	
Post employment benefit plans of the Corporation or its related entities	Interest Expense	**0.17**	0.28
	Contribution To PF & Other Funds	**63.72**	61.18
	Investments - Debentures & Bonds Closing balance	**34.84**	-
	Other Advances / Receivables	**0.10**	28.83
	Non-Convertible Debentures - Redemption	**-**	0.10
	Non-Convertible Debentures Closing balance	**1.80**	1.80
	Other Liabilities / Payables	**24.62**	9.52
Key Management Personnel (Whole-time directors)	Premium Received	**0.03**	0.03
	Interest Income	**0.00**	0.00
	Interest Expense	**0.29**	0.27
	Remuneration#	**39.19**	34.68
	Sitting Fees	**1.46**	1.28
	Share based payments**	**-**	16.91
	Consultancy, Fees & Other Charges	**0.72**	0.42
	Dividend Paid	**6.59**	8.28
	Loans repaid	**0.01**	0.01
	Loans Closing balance	**0.02**	0.04
	Deposits Received	**0.01**	3.27

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Nature of related party	Nature of Transaction/s	March 31, 2020	March 31, 2019
	Deposits repaid / matured	**0.01**	2.85
	Deposits Closing balance	**3.28**	3.28
	Other Liabilities / Payables	**0.39**	0.13
Key Management Personnel (Non-executive directors)	Premium Received	**10.00**	10.00
	Interest Expense	**-**	0.09
	Sitting Fees	**1.21**	1.16
	Commission^^	**4.60**	4.36
	Share based payments**	**-**	3.77
	Other Expenses/ Payments	**0.65**	0.63
	Consultancy, Fees & Other Charges	**0.24**	0.14
	Dividend Paid	**2.14**	2.58
Relatives of Key Management Personnel (Whole-time directors)	Premium Received	**1.00**	0.01
	Interest Income	**0.03**	-
	Interest Expense	**0.04**	0.01
	Other Expenses/ Payments	**0.01**	-
	Loans repaid	**0.03**	-
	Loans Closing balance	**0.32**	-
	Other Advances / Receivables	**0.01**	-
	Deposits Received	**-**	0.50
	Deposits repaid / matured	**-**	0.11
	Deposits Closing balance	**0.50**	0.50
	Other Liabilities / Payables	**0.05**	0.01
	Dividend Paid	**1.15**	1.32
Relatives of Key Management Personnel (Non-executive directors)	Premium Received	**0.20**	0.20
	Interest Income	**-**	0.05
	Interest Expense	**1.56**	1.76
	Loans repaid	**-**	0.04
	Deposits Received	**14.89**	21.40
	Deposits repaid / matured	**21.15**	16.09
	Deposits Closing balance	**16.66**	22.95
	Other Liabilities / Payables	**0.75**	1.07
	Dividend Paid	**2.82**	3.22

Notes:-

All Related Party Transactions entered during the year were in ordinary course of the business and are on arm's length basis.

Expenses towards gratuity and leave encashment provisions are determined actuarially on overall Company basis at the end of each year and , accordingly, have not been considered in the above information.

**. Pursuant to receipt of shareholders approval by way of postal ballot, the Nomination and Remuneration Committee of Directors at its meeting held on June 1, 2017 granted 4,28,45,977 stock options under Employees Stock Option Scheme – 2017. Stock options are always granted at the prevailing market prices and as such the intrinsic value of the options is nil. However, effective from April 1, 2018, the Company has converged to Ind AS and in compliance with Ind AS 102,the same has been charged to the Statement of Profit and Loss Account with a corresponding credit to the Reserves.

^^ Commission is approved by the Board of Directors within the limit as approved by the shareholders of the Corporation and will be paid post adoption of annual accounts by the shareholders.

@ Donations includes ₹ **3 Crore** (Previous Year ₹ 12 Crore), utilised out of Shelter Assistance Reserve during the year.

'0" denotes amount less than ₹ 1 Crore.

Notes forming part of the Consolidated Financial Statements (Continued)

48. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled after factoring in rollover and prepayment assumptions.

₹ in Crore

ASSETS	As at March 31, 2020			As at March 31, 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Financial Assets						
Cash and cash equivalents	5,198.46	-	5,198.46	3,183.31	-	3,183.31
Bank Balance other than (a) above	230.47	72.60	303.07	1,310.38	42.85	1,353.23
Derivative financial instruments	2,134.00	3,624.06	5,758.06	190.35	1,213.01	1,403.36
Trade Receivables	342.89	-	342.89	640.59	-	640.59
Loans	70,237.32	3,75,258.84	4,45,496.16	66,277.24	3,56,086.59	4,22,363.83
Investments	44,684.34	55,226.69	99,911.03	27,642.53	48,991.46	76,633.99
Assets pertaining to Life Insurance Business	17,809.00	1,19,522.89	1,37,331.89	15,930.94	1,12,005.51	1,27,936.45
Assets pertaining to Non-Life Insurance Business	5,701.04	14,167.20	19,868.24	3,421.14	9,733.22	13,154.36
Other financial assets	2,425.48	1,558.24	3,983.72	3,057.87	3,652.02	6,709.89
Non-Financial Assets						
Current tax asset	-	3,696.51	3,696.51	-	3,279.98	3,279.98
Deferred tax Assets (Net)	-	1,699.68	1,699.68	-	919.07	919.07
Investment property	-	981.52	981.52	-	395.64	395.64
Property, Plant and Equipment	-	1,744.27	1,744.27	-	1,188.02	1,188.02
Other Intangible assets	4.63	1,203.72	1,208.35	-	125.42	125.42
Other non-financial assets	238.08	452.27	690.35	248.55	713.97	962.52
Goodwill on consolidation	-	1,600.73	1,600.73	-	625.46	625.46
Total Assets	1,49,005.71	5,80,809.22	7,29,814.93	1,21,902.90	5,38,972.22	6,60,875.12
LIABILITIES						
Financial Liabilities						
Derivative financial instruments	2.49	352.35	354.84	143.06	970.40	1,113.46
Trade and other Payables	2,404.14	-	2,404.14	2,460.39	-	2,460.39
Debt Securities	32,509.96	147,289.19	179,799.15	36,295.89	147,276.13	183,572.02
Borrowings (Other than debt securities)	25,891.10	82,023.57	107,914.67	20,179.11	70,196.28	90,375.39
Deposits	43,933.72	88,371.07	132,304.79	30,912.59	76,159.40	107,071.99
Subordinated Liabilities	1,000.00	4,348.93	5,348.93	250.00	5,485.70	5,735.70
Liabilities pertaining to Life Insurance Business	24,520.32	106,486.42	131,006.74	23,480.57	101,863.95	125,344.52
Liabilities pertaining to Non-Life Insurance Business	8,908.14	8,515.17	17,423.31	6,213.04	4,961.27	11,174.31
Other financial liabilities	13,659.40	2,877.57	16,536.97	12,225.41	2,234.63	14,460.04
Non-Financial Liabilities						
Current tax liabilities (Net)	259.84	-	259.84	170.53	-	170.53
Deferred tax liabilities (Net)	-	32.46	32.46	-	65.43	65.43
Provisions	78.88	293.21	372.09	139.40	230.02	369.42
Other non-financial liabilities	1,172.49	1,048.03	2,220.52	862.07	121.33	983.40
Total Liabilities	1,54,340.48	4,41,637.97	5,95,978.45	1,33,332.06	4,09,564.53	5,42,896.60
Net Assets	(5,334.77)	1,39,171.25	1,33,836.48	(11,429.16)	1,29,407.68	1,17,978.52

Notes forming part of the Consolidated Financial Statements (Continued)

49. Risk disclosures pertaining to Financial instruments

49.1 Risk disclosures pertaining to Financial instruments for other than Insurance business

49.1.1 Capital Management

The Corporation maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of National Housing Bank (NHB). The adequacy of the Corporation's capital is monitored using, among other measures, the regulations issued by NHB.

The Corporation has complied in full with all its externally imposed capital requirements over the reported period.

₹ in Crore

Particulars	March 31, 2020	March 31, 2019
Net debt	**4,20,169.08**	3,84,520.50
Total equity	**1,33,836.48**	1,17,978.52
Net debt to equity ratio	**3.14:1**	3.26:1

49.1.2 Financial Risk Management

The Corporation has to manage various risks associated with the lending business. These risks include Foreign exchange risk, interest rate risk and counterparty risk.

The Financial Risk management and Hedging Policy as approved by the Audit Committee sets limits for exposures on currency and other parameters. The Corporation manages its interest rate and currency risk in accordance with the guidelines prescribed therein.

Interest rate risks is mitigated by entering into interest rate swaps. The currency risk on the borrowings is actively managed mainly through a combination of principal only swaps, forward contracts, and dollar denominated assets. Counterparty risk is reviewed periodically to ensure that exposure to various counterparties is well diversified and is within the limits fixed by the Derivative Committee.

As a part of Asset Liability Management, the Corporation has entered into interest rate swaps wherein it has converted its fixed rate rupee liabilities into floating rate linked to various benchmarks.

49.1.3 Fair Valuations

₹ in Crore

Particulars	March 31, 2020			March 31, 2019		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets						
Mutual Funds	**28,162.25**	**-**	**-**	17,849.78	-	-
Government Securities	**-**	**-**	**14,283.47**	-	-	10,618.90
Equity Shares	**621.54**	**5,110.90**		1,201.49	383.69	-
Preference Shares	**16.68**	**-**	**70.00**	12.30	12.54	30.00
Debentures	**419.73**	**101.30**	**1,201.39**	318.65	356.98	946.64
Pass-through Certificates	**-**	**-**	**22.57**	-	-	27.32
Security Receipts	**176.13**	**-**		221.69	-	-
Investment in Units of Venture Capital Fund	**841.33**	**-**	**-**	779.31	-	-
Derivative Financial Assets	**2,297.52**	**3,460.54**		1,403.36	-	-
Trade Receivables	**-**	**-**	**342.89**	-	-	640.59
Loans	**-**	**-**	**4,45,496.16**	-	-	4,22,363.83
Other Financial Assets	**60,653.35**	**82,633.30**	**23,398.73**	71,404.90	60,959.68	19,972.65
Total Financial Assets	**93,188.53**	**91,306.04**	**4,84,815.21**	**93,191.49**	**61,712.90**	**4,54,599.93**

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Particulars	March 31, 2020			March 31, 2019		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial Liabilities						
Derivative Financial Liabilities	-	354.83	-	164.75	-	-
Trade and other payables	-	-	2,404.14	-	-	2,460.39
Debt Securities	67,627.19	-	1,12,171.96	56,598.71	-	1,28,041.02
Borrowings	-	-	1,07,914.67	-	-	90,256.39
Deposits	-	-	1,32,304.79	-	-	1,07,071.99
Subordinated Liabilities	-	-	5,348.93	-	-	5,735.70
Other Financial Liabilities	-	-	1,64,967.02	-	-	1,50,978.87
Total Financial Liabilities	**67,627.19**	**354.83**	**5,25,111.51**	**56,763.46**	**-**	**4,84,544.36**

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Corporation has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

₹ in Crore

Financial Assets and Liabilities measured at Fair Value	Level 1	Level 2	Level 3	Total
As at March 31, 2020				
Financial Assets				
Financial Investments at FVTPL				
Mutual Funds	27,780.95	381.30	-	28,162.25
Equity Shares	191.94	-	429.60	621.54
Preference Shares	-	-	16.68	16.68
Debentures	-	-	419.73	419.73
Security Receipts	-	-	176.13	176.13
Investment in Units of Venture Funds and Alternate Investment Funds	-	-	841.33	841.33
Other Financial Assets	45,206.21	12,506.05	2,941.09	60,653.35
Derivatives designated as hedges				
- Interest RATE Swaps	-	2,297.52	-	2,297.52
Financial Investments at FVTOCI				
Equity Investments	3,925.87	-	1,185.03	5,110.90
Debentures	-	-	101.30	101.30
Other Financial Assets	54,941.85	24,143.53	3,547.92	82,633.30
Derivatives designated as hedges				
- Forwards	-	485.00	-	485.00
- Currency Swaps - Principal Only Swaps	-	2,119.23	-	2,119.23
- Options purchased (net)	-	856.31	-	856.31
Total Financial Assets	**1,32,046.82**	**42,788.94**	**9,658.81**	**1,84,494.57**
Financial Liabilities				
Debt Securities	-	67,627.19	-	67,627.19
Derivatives classified as FVOCI				
- Forward Rate Contracts		13.42		13.42
- Interest Rate Swaps	-	260.56	-	260.56
- Currency Swaps - Principal Only Swaps	-	80.85	-	80.85
Total Financial Liabilities	**-**	**67,982.02**	**-**	**67,982.02**

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Financial Assets and Liabilities measured at Fair Value	Level 1	Level 2	Level 3	Total
As at March 31, 2019				
Financial Assets				
Financial Investments at FVTPL				
Mutual Funds	17,254.92	594.86	-	17,849.78
Equity Shares	593.08	-	608.41	1,201.49
Preference Shares	-		12.30	12.30
Debentures	-	140.26	178.41	318.67
Security Receipts	-	214.70	6.99	221.69
Investment in Units of Venture Funds and Alternate Investment Funds	-	-	779.31	779.31
Other Financial Assets	54,338.52	12,581.92	4,484.46	71,404.90
Derivatives designated as hedges				
- Forward Rate Agreements and Interest Rate Swaps	-	962.00	-	962.00
Financial Investments at FVTOCI				
Equity Investments	319.14	-	77.09	396.23
Debentures	-	-	356.98	356.98
Other Financial Assets	40,749.35	19,882.65	327.68	60,959.68
Derivatives designated as hedges	-	-	-	-
- Forwards	-	7.42	-	7.42
- Currency Swaps - Principal Only Swaps	-	311.73	-	311.73
- Options purchased (net)	-	122.20	-	122.20
Total Financial Assets	**1,13,255.01**	**34,817.74**	**6,831.64**	**1,54,904.39**
Financial Liabilities				
Derivatives classified as FVOCI				
- Forwards	-	100.71	-	100.71
- Currency swaps - Principal Only Swaps	-	63.93	-	63.93
- Options purchased (net)	-	0.11	-	0.11
Debt Securities	-	56,598.71		56,598.71
Total Financial Liabilities	**-**	**56,763.46**	**-**	**56,763.46**

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments, units of mutual funds (open ended) and traded bonds that have quoted price. The fair value of all equity instruments (including bonds) which are traded in the stock exchanges is valued using the closing price as at the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, units of Mutual Funds, Venture Funds, over the counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity instruments, contingent consideration and indemnification asset included in level 3.

There has been no transfers between level 1, level 2 and level 3 for the year ended March 31, 2020 and 2019.

The fair value of a financial instrument on initial recognition is normally the transaction price (fair value of the consideration given or received). Subsequent to initial recognition, the Corporation determines the fair value of financial instruments that are quoted in active markets using the quoted bid prices (financial assets held) or quoted ask prices (financial liabilities held) and using valuation techniques for other instruments. Valuation techniques include discounted cash flow method, market comparable method, recent transactions happened in the company and other valuation models.

The Corporation measures financial instruments, such as investments (other than equity investments in Subsidiaries, Joint Ventures and Associates) at fair value.

Notes forming part of the Consolidated Financial Statements (Continued)

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 3, as described below:

Quoted prices in an active market (Level 1): This level of hierarchy includes financial assets that are measured by reference to quoted prices (adjusted/unadjusted) for identical assets. This category consists of quoted equity shares, venture fund units, mutual fund units and security receipts.

Valuation techniques with observable inputs (Level 2): This level of hierarchy includes financial assets, measured using inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Valuation techniques with significant unobservable inputs (Level 3): This level of hierarchy includes financial assets measured using inputs that are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part, using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

When the fair value of equity investments cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques including the Discounted Cash Flow (DCF) model, market comparable method and based on recent transactions. The inputs to these models are taken from observable market where possible, but where this is not feasible, a degree of judgement is exercised in establishing fair values. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

Particulars	Sensitivity		March 31, 2020	March 31, 2019	Significant unobservable inputs*
	Favourable	Un-favourable			
Unquoted equity shares	A positive change in the Valuation Factor by 10% increases the fair value by ₹ 42.53 Crore in FY20.	An adverse change in the Valuation Factor by 10% reduces the fair value by ₹ 42.25 Crore in FY20.	**419.66**	476.73	Valuation Factor
Locked in Shares of Yes Bank Ltd	A positive change in the Valuation Factor by 10% increases the fair value by ₹ 101.85 Crore in FY20.	An adverse change in the Valuation Factor by 10% reduces the fair value by ₹ 101.85 Crore in FY20.	**1,018.50**	0.00	Valuation Factor
Compulsorily Convertible Preference Shares	A positive change in the Valuation Factor by 10% increases the fair value by ₹ 0.08 Crore in FY20.	An adverse change in the Valuation Factor by 10% reduces the fair value by ₹ 0.08 Crore in FY20.	**0.78**	0.45	Valuation Factor
Convertible Debentures	A positive change in the Valuation Factor by 10% increases the fair value by ₹ 22.94 Crore in FY20.	An adverse change in the Valuation Factor by 10% reduces the fair value by ₹ 22.94 Crore in FY20.	**232.20**	376.94	Valuation Factor
Venture Funds	Increase in NAV by 10% increases the fair value by ₹ 70.45 Crore in FY20.	Decrease in NAV by 10% reduces the fair value by ₹ 73.86 Crore in FY20.	**775.21**	711.42	Net Asset Value
Security Receipts	Increase in NAV by 10% increases the fair value by ₹ 0.14 Crore in FY20.	Decrease in NAV by 10% reduces the fair value by ₹ 0.14 Crore in FY20.	**1.43**	6.99	Net Asset Value

** There were no significant inter-relationships between unobservable inputs that materially affect fair values.*

Notes forming part of the Consolidated Financial Statements (Continued)

Valuation Factor includes Discounted Cash Flows, Equity Multiples such as PE Ratio, Price to Book Value Ratio and EV/EBITDA Ratio.

Sensitivity data are calculated using a number of techniques, including analysing price dispersion of different price sources, adjusting model inputs to reasonable changes within the fair value methodology.

The carrying amounts of trade receivables, trade payables and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature.

For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

Fair value of the Financial Assets that are not measured at fair value ₹ in Crore

Particulars	As at March 31, 2020			As at March 31, 2019		
	Carrying Value	Fair Value	Fair Value hierarchy	Fair Value	Carrying Value	Fair Value hierarchy
Financial Assets at Amortised Cost						
Government Securities	**14,283.47**	**14,531.94**	**Level 3**	10,618.90	10,310.99	Level 3
Preference Shares	**70.00**	**70.00**	**Level 3**	30.00	30.00	Level 3
Debentures	**1,201.39**	**1,202.37**	**Level 3**	946.64	944.61	Level 3
Pass-through Certificates	**22.57**	**22.72**	**Level 3**	27.32	27.32	Level 3
Total Financial Assets	**15,577.43**	**15,827.03**		11,622.86	11,312.92	
Financial Liabilities						
Non Convertible Debentures	**1,44,466.85**	**1,45,279.82**	**Level 2**	1,34,405.57	1,36,006.97	Level 2
Synthetic Rupee Denominated Bonds	**6,100.00**	**6,075.28**	**Level 2**	11,100.00	11,039.76	Level 2
Deposits	**1,32,304.79**	**1,33,538.37**	**Level 2**	1,07,353.69	1,07,114.77	Level 2
Subordinated Liabilities	**5,348.93**	**5,661.49**	**Level 2**	5,735.70	6,157.65	Level 2
Total Financial Liabilities	**2,88,220.57**	**2,90,554.96**		2,58,594.96	2,60,319.15	

The Fair Value of the financial assets and financial liabilities are considered at the amount, at which the instrument could be exchanged in current transaction between willing parties, other than in forced or liquidation sale.

Loans

Substantially all loans reprice frequently, with interest rates reflecting current market pricing, the carrying value of these loans amounting to ₹ **4,45,496.16 Crore** (As at March 31, 2019 ₹ 4,22,363.83 Crore) approximates their fair value.

Short term and other Financial Assets and Liabilities

The Financial Assets and Liabilities, such as cash and cash equivalents, bank balances other than cash and cash equivalents, trade receivable, trade payables, commercial paper, foreign currency loans, borrowings other financial assets and liabilities approximate their carrying amounts largely due to the short term maturity of these instruments.

49.1.4 **Credit Risk**

Credit risk is the risk of loss that may occur from the failure of any party to abide by the terms and conditions of any contract, principally the failure to make required payments of amounts due to the Corporation. In its lending operations, the Corporation is principally exposed to credit risk.

Notes forming part of the Consolidated Financial Statements (Continued)

The credit risk is governed by various Product Policies. The Product Policy outlines the type of products that can be offered, customer categories, the targeted customer profile and the credit approval process and limits.

The Corporation measures, monitors and manages credit risk at an individual borrower level and at the group exposure level for corporate borrowers. The credit risk for retail borrowers is being managed at portfolio level for both Home Loans and Non Home Loans. The Corporation has a structured and standardized credit approval process, which includes a well-established procedure of comprehensive credit appraisal. The Risk Management Policy addresses the recognition, measurement, monitoring and reporting of the Credit risk. The Corporation has additionally taken the following measures:-

- Lower borrower group exposure limits.
- Establishment of a separate Policy Implementation & Process Monitoring (PIPM) team to enhance focus on monitoring of process implementation at the branches and to facilitate proactive action wherever required.
- Enhanced monitoring of retail product portfolios through periodic review.

Credit Approval Authorities

The Board of Directors has delegated credit approval authority to a sanctioning committee with approval limits which is approved by the Managing Director.

Credit Risk Assessment Methodology

Corporate Portfolio

The Corporation has an established credit appraisal procedure leading to appropriate identification of credit risk. Appropriate appraisals have been established for various types of products and businesses. The methodology involves critical assessment of quantitative and qualitative parameters subject to review and approval by Sanctioning Committee of Management (COM).

Corporation carries out a detailed analysis of funding requirements, including normal capital expenses, long-term working capital requirements and temporary imbalances in liquidity. A significant portion of Corporate Finance loans are secured by a lien over appropriate assets of the borrower.

Borrower risk is evaluated by considering:

- the risks and prospects associated with the industry in which the borrower is operating (industry risk);
- the financial position of the borrower by analysing the quality of its financial statements, its past financial performance, its financial flexibility in terms of ability to raise capital and its cash flow adequacy (financial risk);
- the borrower's relative market position and operating efficiency (business risk);
- the quality of management by analysing their track record, payment record and financial conservatism (management risk); and
- the risks with respect to specific projects, both pre-implementation, such as construction risk and funding risk, as well as post-implementation risks such as industry, business, financial and management risks related to the project (project risk).

For Lease rental discounting, the risk assessment procedure include:

- Carrying out a detailed analysis of lease rental receivables and the timing of the payments based on an exhaustive analysis of Cash flow structure; and

Notes forming part of the Consolidated Financial Statements (Continued)

- Conducting due diligence on lessee and lessor and the underlying business systems, including a detailed evaluation of the servicing and collection terms and the underlying contractual arrangements.

Construction Finance

The Corporation has a framework for the appraisal and execution of project finance transactions. The Corporation believes that this framework creates optimal risk identification, allocation and mitigation and helps minimize residual risk.

The project finance approval process begins with a detailed evaluation of technical, commercial, financial, marketing and management factors and the sponsor's financial strength and experience.

As part of the appraisal process, a risk matrix is generated, which identifies each of the project risks, mitigating factors and residual risks associated with the project. After credit approval, a letter of intent is issued to the borrower, which outlines the principal financial terms of the proposed facility, sponsor obligations, conditions precedent to disbursement, undertakings from and covenants on the borrower.

After completion of all formalities by the borrower, a loan agreement is entered into with the borrower.

Project finance loans are generally fully secured and have full recourse against the borrower. In most cases, the Corporation has a security interest and first lien on all the fixed assets. Security interests typically include property, plant and equipment as well as other tangible assets of the borrower, both present and future. The Corporation also takes additional credit comforts such as corporate or personal guarantees from one or more sponsors of the project.

The Corporation requires the borrower to submit periodic reports and continue to monitor the credit exposure until loans are fully repaid.

Further since both Lease Rental Discounting and Construction Finance Facilities are mostly serviced from receivables from the projects/property financed, all the cash flows are charged to the Corporation, and are ring fenced by way of Escrow mechanism. Under this mechanism all such receivables flow into Escrow Account from where amounts are directly credited into the Corporation's account.

Retail Loans

Our customers for retail loans are primarily low, middle and high-income, salaried and self-employed individuals.

The Corporation's credit officers evaluate credit proposals on the basis of active credit policies as on the date of approval. The criteria typically include factors such as the borrower's income & obligations, the loan-to-value ratio and demographic parameters subject to regulatory guidelines. Any deviations need to be approved at the designated levels.

The various process controls such as PAN Number Check, CERSAI database scrubbing, Credit Bureau Report analysis are undertaken prior to approval of a loan. In addition External agencies such as field investigation agencies facilitate a comprehensive due diligence process including visits to offices and homes.

The Corporation analyses the portfolio performance of each product segment regularly, and use these as inputs in revising our product programs, target market definitions and credit assessment criteria to meet our twin objectives of combining volume growth and maintenance of asset quality. Retail loans are secured by the mortgage of the borrowers property.

Risk Management and Portfolio Review

The Corporation ensures effective monitoring of credit facilities through a risk-based asset review framework under which the frequency of asset review is determined depending on the risk associated with the product.

Notes forming part of the Consolidated Financial Statements (Continued)

For both Corporate and Retail borrowers, the Operations team verifies adherence to the terms of the credit approval prior to the commitment and disbursement of credit facilities.

The Operations team monitors compliance with the terms and conditions for credit facilities prior to disbursement. It also reviews the completeness of documentation, creation of security and compliance with regulatory guidelines.

The Credit Risk Management team of the Corporation, regularly reviews the credit quality of the portfolio and various sub-portfolios. A summary of the reviews carried out by the Credit Risk Management is submitted to the Branches & Management Team for its information.

The Policy implementation and Process Management team reviews adherence to policies and processes, carries out audit and briefs the Audit Committee and the Board periodically.

49.1.5.a **Collateral and other credit enhancements**

The Corporation does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets, except credit risk associated with loans and Inter corporate deposits, which is mitigated because the loans and Inter corporate deposits are secured against the collateral. The main types of collateral obtained are, as follows:

Registered / equitable mortgage of property, Non disposal undertakings in respect of shares, pledge of shares, units, other securities, assignment of life insurance policies, Hypothecation of assets, Bank guarantees, company guarantees or personal guarantees, Negative lien, Assignment of receivables, Liquidity Support. Collateral [e.g. DSRA (Debt Service Reserve Account), Lien of Fixed Deposit].

The carrying amount of loans amount to ₹ **4,56,483.40 Crore** (as at March 31, 2019 ₹ 4,28,335.86 Crore) which best represent the maximum exposure to credit risk, the related Expected credit loss amount to ₹ **10,987.24 Crore** (as at March 31, 2019 ₹ 5,972.03 Crore). The Corporation has right to sell or pledge the collateral in case borrower defaults.

49.1.5.b **Maturities of financial liabilities**

The tables below analyse the Corporation's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities, and net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

₹ in Crore

Contractual maturities of Financial Liabilities 31 March 2020	0-1 year	1-3 years	3-5 years	>5 years	Total
Non-Derivatives					
Debt Securities	71,336.55	42,717.70	18,179.33	47,565.57	1,79,799.15
Borrowings (Other than Debt Securities)	72,241.66	15,853.42	17,332.30	2,571.31	1,07,998.69
Deposits	75,736.67	41,625.78	11,804.91	3,477.51	1,32,644.87
Subordinated Liabilities	1,000.00	1,000.00	3,000.00	348.93	5,348.93
Other Financial Liabilities	47,087.86	40,068.01	60,551.16	20,800.86	1,68,507.89
Trade payables	2,165.19	0.00	0.00	0.00	2,165.19
Total Non-Derivative Liabilities	**2,69,567.93**	**1,41,264.92**	**1,10,867.70**	**74,764.18**	**5,96,464.72**
Derivatives					
Forward rate contracts	-	13.42	-	-	13.42
Currency Swaps - Principal Only Swaps	-	25.57	34.53	-	60.10
Interest Rate Swaps	14.23	68.63	198.45	-	281.31
Total Derivative Liabilities	**14.23**	**94.20**	**232.98**	**-**	**354.83**

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Contractual maturities of Financial Liabilities 31 March 2019	0-1 year	1-3 years	3-5 years	>5 years	Total
Non-Derivatives					
Debt Securities	80,985.68	58,961.22	8,534.62	36,194.81	1,84,676.33
Borrowings (Other than Debt Securities)	55,429.90	15,472.99	13,681.38	5,565.38	90,149.65
Deposits	58,631.31	38,952.86	6,438.21	3,358.25	1,07,380.63
Subordinated Liabilities	500.00	2,000.00	35.00	3,200.70	5,735.70
Other Financial Liabilities	41,919.02	24,803.26	61,509.69	23,786.58	1,52,018.55
Trade payables	2,460.39	-	-	-	2,460.39
Total Non-Derivative Liabilities	**2,39,926.30**	**1,40,190.32**	**90,198.90**	**72,105.72**	**5,42,421.25**
Derivatives					
Foreign exchange forward contracts	100.71	-	-	-	100.71
Currency Swaps - Principal Only Swaps	-	9.40	54.53	-	63.93
Options purchased (net)	0.11	-	-	-	0.11
Total Derivative Liabilities	**100.82**	**9.40**	**54.53**	**-**	**164.75**

49.1.6 Market Risk

49.1.6.a Foreign currency risk

The Corporation operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD and JPY. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Corporation's functional currency i.e. INR. The objective of the hedges is to minimise the volatility of the INR cash flows.

The Corporation's risk management policy allows it to keep the foreign currency risk open upto 5% of the total borrowings.

The Corporation uses a combination of foreign currency option contracts and foreign exchange forward contracts to hedge its exposure in foreign currency risk. The Corporation designates fair value of the forward contracts and intrinsic value of the option contracts as hedging instruments. In case the hedge effectiveness is 100%, the change in the fair value of the forward contracts or change in the intrinsic value of the option contracts and the change in carrying value of the underlying foreign currency liability are compared and the difference is recognised in cash flow hedge reserve. The changes in time value that relate to the option contracts are deferred in the costs of hedging reserve. Amortisation of forward points through cash flow hedge reserve which is pertaining to the forward contracts is recognised in the statement of profit and loss over life of the forward contracts. During the years ended March 31, 2020 and 2019, the Corporation did not have any hedging instruments with terms which were not aligned with those of the hedged items.

The spot component of forward contracts is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points.

The intrinsic value of foreign exchange option contracts is determined with reference to the relevant spot market exchange rate. The differential between the contracted strike rate and the spot market exchange rate is defined as the intrinsic value. Time value of the option is the difference between fair value of the option and the intrinsic value.

Notes forming part of the Consolidated Financial Statements (Continued)

Foreign Currency Risk Exposure:

The Corporation's exposure to foreign currency risk at the end of the reporting period expressed in INR, are as follows:

₹ in Crore

Particulars	Currency	Financial and derivative assets		Financial liabilities	Net exposure to foreign currency risk iv= (i) + (ii)+(iii)
		Dollar Denominated loans & others (i)	Foreign exchange Derivative contracts (ii)	Foreign currency loans (iii)	
March 31, 2020	**USD**	**153.07**	**33,357.32**	**(33,510.25)**	**0.13**
	JPY	**-**	**3,702.42**	**(3,703.84)**	**(1.42)**
	SGD	**19.52**	**-**	**(5.31)**	**14.21**
	GBP	**104.14**	**-**	**(27.45)**	**76.69**
	AED	**24.05**	**-**	**(7.92)**	**16.13**
March 31, 2019	**USD**	770.14	18,658.09	(19,540.62)	(112.39)
	JPY	-	3,323.68	(3,323.68)	-
	SGD	0.48	-	-	0.48
	GBP	0.09	-	-	0.09
	AED	0.79	-	-	0.79

Foreign Currency Sensitivity Analysis:

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments and the impact on other components of equity arises from foreign forward exchange contracts, foreign exchange option contracts designated as cash flow hedges.

₹ in Crore

Particulars	Impact on profit after tax		Impact on other components of equity	
	March 31, 2020	March 31, 2019	**March 31, 2020**	March 31, 2019
USD sensitivity				
INR/USD -Increase by 1% *	-	1.37	**(1.25)**	23.24
INR/USD -Decrease by 1% *	-	(1.37)	**0.52**	(23.24)
JPY sensitivity				
INR/JPY -Increase by 1% *	-	-	**19.11**	0.27
INR/JPY -Decrease by 1% *	-	-	**(19.11)**	(0.27)

** Assuming all other variable is constant*

Cash Flow Hedge

Hedging Policy

The Corporation's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind AS. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Corporation enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative and quantitative assessment of effectiveness is performed.

Notes forming part of the Consolidated Financial Statements (Continued)

Disclosure of effects of hedge accounting on financial performance and exposure to foreign currency

₹ in Crore

Particulars	Notional amount	Carrying amount of hedging instruments Assets	Carrying amount of hedging instruments liabilities	Weighted average contract / strike price of the hedging instrument	Change in the fair value in the hedging instrument used as the basis for recognising hedge ineffectiveness - (profit) / loss
March 31, 2020					
INR USD - Forward exchange contracts	**10,985.44**	**482.75**	-	**74.16**	**(506.12)**
INR JPY - Forward exchange contracts	**1,405.81**	**2.25**	-	**0.64**	**(72.17)**
INR USD - Currency Swaps (incl. EXIM Swap)	**14,567.46**	**1,801.37**	**25.57**	**66.87**	**(1,513.76)**
USD Interest Swaps	**12,750.40**	-	**260.57**	-	**260.58**
INR JPY - Currency Swaps	**3,702.42**	**278.08**	**34.53**	**0.63**	**(257.79)**
Option purchased (net)	**11,007.12**	**856.31**	-	**70.67***	**(734.23)**
Total	**54,418.65**	**3,420.76**	**320.67**	-	**(2,823.49)**
March 31, 2019					
INR USD - Forward exchange contracts	1,227.59	7.42	30.79	71.99	40.91
INR JPY - Forward exchange contracts	1,949.23	0.00	69.92	0.63	69.92
INR USD - Currency Swaps (incl. EXIM swap)	11,452.48	311.73	49.69	66.75	(393.10)
INR JPY - Currency Swaps	1,374.45	-	14.24	0.63	14.24
Option purchased (net)	6,757.73	122.20	0.11	69.46 -75.62^	(122.09)
Total	**22,761.48**	**441.35**	**164.75**	-	**(390.12)**

The above amounts are forming part of derivative financial instruments as disclosed in the Balance Sheet

* denotes strike price range for bought call and sold put (at 70.67).

^ denotes strike price range for bought call and sold put (at 69.46) - sold call (at 75.62).

Hedged Item

₹ in Crore

Particulars	Change in the value of hedged item used as the basis for recognising hedge ineffectiveness	Cash flow hedge reserve as at	Cost of hedging as at	Foreign Currency Monetary Items Translation Reserve
March 31, 2020				
FCY Term Loans	**(1,203.74)**	**104.04**	**4.21**	-
External Commercial Borrowings (incl. ADB loans)	**1,551.93**	**83.24**	**(29.08)**	-
March 31, 2019				
FCY Term Loans	136.47	0.39	3.75	-
External Commercial Borrowings (incl. ADB loans)	282.88	242.82	-	-

Notes forming part of the Consolidated Financial Statements (Continued)

The impact of the cashflow hedges in the statement of profit and loss and other comprehensive income:

₹ in Crore

Particulars	Hedging gains or losses recognised in other comprehensive income		Hedge ineffectiveness recognised in statement of profit and loss	
	March 31, 2020	March 31, 2019	**March 31, 2020**	March 31, 2019
Forward exchange contracts and Currency swaps	**(79.45)**	(15.23)	**-**	-
Option purchased (net)	**(5.12)**	3.75	**5.28**	(130.65)

The above amounts are forming part of Finance cost as disclosed in the Statement of profit and loss.

Fair Value Hedge

The impact of the hedging instrument and hedged item on the balance sheet:

Hedging Instrument

₹ in Crore

Particulars	Notional amount	Carrying amount - Asset	Change in fair value used for measuring ineffectiveness for the period
Interest Rate Swap as at			
March 31, 2020	**65,100.00**	**2,288.52**	**1,326.52**
March 31, 2019	55,650.00	962.00	624.15

The above amounts are forming part of derivative financial instruments as disclosed in the Balance sheet.

Hedged Item

₹ in Crore

Particulars	Notional amount	Carrying amount - Liability	Change in fair value used for measuring ineffectiveness for the period
Fixed-rate borrowing as at			
March 31, 2020	**65,100.00**	**2,318.68**	**1,369.97**
March 31, 2019	55,650.00	948.71	670.59

The above amounts are forming part of derivative financial instruments as disclosed in the Balance sheet.

The impact of the fair value hedges in the statement of profit and loss:

₹ in Crore

Particulars	Hedge ineffectiveness recognised in statement of profit and loss	
	March 31, 2020	March 31, 2019
Interest Rate Swap	**43.45**	46.44

The above amounts are forming part of Finance cost as disclosed in the Statement of profit and loss.

Notes forming part of the Consolidated Financial Statements (Continued)

Hedge Ratio

The foreign exchange forward and option contracts are denominated in the same currency as the highly probable future sales and purchases, therefore the hedge ratio is 1:1. The notional amount of interest rate swap is equal to the portion of variable rate loans that is being hedged, and therefore the hedge ratio for interest rate swap is also 1:1.

49.1.6.b **Interest Rate Risk**

The Corporation's core business is doing housing loans. The Corporation raises money from diversified sources like deposits, market borrowings, term loan, foreign currency borrowings amongst others. In view of the financial nature of the assets and liabilities of the Corporation, changes in market interest rates can adversely affect its financial condition. The fluctuations in interest rates can be due to internal and external factors. Internal factors include the composition of assets and liabilities across maturities, existing rates and re-pricing of various sources of borrowings. External factors include macro economic developments, competitive pressures, regulatory developments and global factors. The rise or fall in interest rates impact the Corporations Net Interest Income depending on whether the Balance sheet is asset sensitive or liability sensitive.

The Corporation uses traditional gap analysis report to determine the Corporation's vulnerability to movements in interest rates. The Gap is the difference between Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL) for each time bucket. It indicates whether the Corporation is in a position to benefit from rising interest rates by having a positive Gap (RSA > RSL) or whether it is in a position to benefit from declining interest rates by a negative Gap (RSL > RSA). The Corporation also fixes tolerance limits for the same as per the ALM Policy.

Interest Rate Risk Exposure

The exposure of the Corporation's borrowing to interest rate changes at the end of the reporting period are as follows:

Particulars	**March 31, 2020**	March 31, 2019
Variable rate borrowings	**70%**	67%
Fixed rate borrowings	**30%**	33%
Total borrowings	**100%**	100%

Sensitivity

The impact of 10 bps change in interest rates on financial assets and liabilities on the Profit after tax for the year ended March 31, 2020 is ₹ **40.58 Crore** (Previous Year: ₹ 40.99 Crore).

49.1.6.c **Price Risk**

Exposure

The Corporation's exposure to equity securities price risk arises from investments held by the Corporation and classified in the balance sheet either as fair value through OCI or at fair value through profit or loss.

To manage its price risk arising from investments in equity securities, the Corporation diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Corporation.

Some of the Corporation's equity investments are publicly traded and are included in the NSE Nifty 50 index.

Sensitivity

The table below summarises the impact of increases/decreases of the index on the Corporation's equity and profit for the period. The analysis is based on the assumption that the equity index had increased by 10% or decreased by 10% with all other variables held constant, and that all the Corporation's equity instruments moved in line with the index.

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Particulars	Impact on profit before tax		Impact on OCI before tax	
	March 31, 2020	March 31, 2019	**March 31, 2020**	March 31, 2019
NSE Nifty 50 – increase 10%	**19.15**	68.48	**391.61**	20.42
NSE Nifty 50 – decrease 10%	**(19.15)**	(68.48)	**(391.61)**	(20.42)

Profit for the period would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as fair value through other comprehensive income.

Disclosure of Penalties imposed by NHB and other regulators

During FY 2019-20, The National Housing Bank (NHB) imposed a monetary penalty of ₹ **85,000** plus GST on the Corporation for non-compliance with two provisions of the Housing Finance Companies (NHB) Directions, 2010 during the financial year 2017-18. The Corporation has paid the said penalty.

During the year ended March 31, 2020, the HDFC Asset Management Company Ltd, and its certain employees along with HDFC Trustee Company Limited received show cause notices from SEBI for matters related to Essel group exposure in certain fixed maturity plans of HDFC Mutual Fund. All the concerned parties along with the Company had filed an application for Settlement with SEBI and have received a Settlement Order dated April 16, 2020. The Company being the Investment Manager to HDFC Mutual Fund, has already compensated the unit holders of the affected mutual fund schemes and has also paid the settlement amount to SEBI.

49.2 Risks disclosures pertaining to Life Insurance Business

49.2.1 Sensitivity Analysis

(A) Interest Rate Sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. (100 Bps impact on fixed income securities is in line with directions given by IRDAI vide circular number IRDA/ACTL/CIR/ALM/006/01/2012 dated January 03, 2012 on ALM and stress testing.)

₹ in Crore

Particulars	Impact on Profit before Tax$		Impact on Other components of equity	
	March 31, 2020	March 31, 2019	**March 31, 2020**	March 31, 2019
Interest Rate - Increase by 100 basis points*^	**-**	-	**(3,278.56)**	(1,627.83)
Interest Rate - Decrease by 100 basis points*&	**-**	-	**3,278.56**	1,627.83

* Holding all other variable constant.

^ Impact on OCI does not include impact of ₹ (**1,906.39**) **Crore** for FY 20 and ₹ (1,714.20) Crore for FY19 pertaining to Participating funds of which Shareholder's entitlement is restricted to 10% of future bonuses declared, as per IRDAI regulations.

& Impact on OCI does not include impact of ₹ **1,906.39 Crore** for FY 20 and ₹ 1,714.20 Crore for FY19 pertaining to Participating funds of which Shareholder's entitlement is restricted to 10% of future bonuses declared, as per IRDAI regulations.

$ Unit linked funds being profit neutral, impact of the same is not included in the above sensitivity analysis.

Notes forming part of the Consolidated Financial Statements (Continued)

(B) **Foreign Currency Sensitivity Analysis**

The sensitivity of profit and loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

₹ in Crore

Particulars	Impact on Profit before Tax		Impact on Other components of equity	
	March 31, 2020	March 31, 2019	**March 31, 2020**	March 31, 2019
AED Sensitivity		-	**-**	-
INR/AED - Increase by **8.67%** (March 31, 2019 6.60%)	**0.04**	0.03	**-**	-
INR/AED - Decrease by **8.67%** (March 31, 2019 6.60%)	**(0.04)**	(0.03)	**-**	-

(C) **Equity Price Sensitivity Analysis**

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period. 30% impact on equity securities is in line with directions given by IRDAI vide circular number IRDA/ACTL/CIR/ALM/006/01/2012 dated January 03, 2012 on ALM and stress testing.

The following table shows effect of price changes in equity:

₹ in Crore

Particulars	Impact on Profit before Tax$		Impact on Other components of equity	
	March 31, 2020	March 31, 2019	**March 31, 2020**	March 31, 2019
If equity prices had been 30% higher^	**792.03**	724.61	**-**	-
If equity prices had been 30% lower&	**(792.03)**	(724.61)	**-**	-

^ Impact on Profit before tax does not include impact of ₹ **1,240.76 Crore** for FY 20 and ₹ 1,819.95 Crore for FY19 pertaining to Participating funds of which Shareholder's entitlement is restricted to 10% of future bonuses declared, as per IRDAI regulations.

& Impact on Profit before tax does not include impact of ₹ (**1,240.76**) **Crore** for FY 20 and ₹ (1,819.95) Crore for FY19 pertaining to Participating funds of which Shareholder's entitlement is restricted to 10% of future bonuses declared, as per IRDAI regulations.

$ Unit linked funds being profit neutral, impact of the same is not included in the above sensitivity analysis.

49.2.2 **Risk Management Framework**

The Company has an Enterprise Risk Management (ERM) framework covering procedures to identify, measure and mitigate the key business risks. Aligned with the business planning process, the ERM framework covers all business risks including strategic risk, operational risks, regulatory risk, investment risks, subsidiary related risks and insurance risks. The key business risks identified are approved by the Board's Risk Management Committee and monitored by the Risk Management team thereafter. The ERM framework adopted is enabled by the risk oriented enterprise level culture with established risk governance framework, characterized by:

1. Risk management competency throughout the organization with a consensus that risk management is everyone's responsibility.
2. An iterative process of identifying and evaluating risks, setting risk treatment strategies, and monitoring results.
3. A dedicated Enterprise Risk Team with defined roles and responsibilities, which functions under the guidance and supervision of Chief Risk Officer ('CRO').
4. Risk oversight by Senior Management & Board of Directors, via Risk Management Council and Risk Management Committee respectively.

Notes forming part of the Consolidated Financial Statements (Continued)

Risk categories addressed through the ERM Framework

- Operational Risk - Risk of loss resulting from inadequate or failed internal processes, people, systems or external events including legal risk.
- Compliance/ Regulatory Risk - Risks emanating from non-adherence to regulatory, judiciary and legislative mandates and guidelines, leading to fines and penalties.
- Strategy and Planning Risk - Risks emanating from non-achievement of strategic objectives, deviation from strategic plans, external and internal factors.
- Insurance risk – Risk arising due to adverse movement of mortality, persistency, morbidity and expense rates.
- Subsidiary related risks - Risks originating from subsidiary company actions.
- Financial Risk – Comprises of the following nature of risks:
    1. Market Risk - Risk of loss resulting from adverse movement in market prices across asset classes and investment positions.
    2. Liquidity Risk - Market Liquidity Risk is inability to liquidate an asset and Funding Liquidity Risk is inability to meet obligations when due.
    3. Credit Risk - Risk of loss resulting from the potential that counterparty defaults or fails to meet obligations in accordance with the agreed terms.
    4. Asset Liability Mismatch Risk - Risk due to uncorrelated / unmatched movement in the asset and liability cash flows on existing business and risk of future premiums being invested at low interest rates.

HDFC Life is exposed to different types of risks emanating from both internal and external sources. The Company has in place a Risk Management team which identified, measures and mitigate risks faced by the Company. The team is guided by the Company's Risk Management Committee, Risk Management Council and the Senior Management to develop and implement Risk Assurance practices on a pan-organisational basis. Under the overall ambit of Corporate Governance, the Company has in place a Risk Management policy along with other risk related policies. The risk management framework institutionalized in the Company is supported by a "Three Lines of Defense" approach. At HDFC Life Insurance, every function has been empowered to drive Risk Management framework in their respective areas of operation and they form the first line of defense. Control functions like Risk Management and Compliance act as second line of defense and are independent from business operations which has been implemented through independent reporting mechanics. The role of the third line is performed by the Internal Audit function that provides an independent assurance to the Board on the functioning of internal controls.

Risk Policies

The following risk policies govern and implement effective risk management practices: Business Continuity Management System (BCMS) Policy, Information Security Management System Policies, Investment Policy, Credit Risk Management Policy, Liquidity Risk Management Policy, Asset - Liability Management Policy, Underwriting Policy, Reinsurance Policy, Employee dealing Guidelines, Anti Money Laundering Policy, Whistleblower Policy, Policy of Prevention, Prohibition, & Redressed of Sexual Harassment at Workplace, Outsourcing Policy, Fraud Management Policy, Information & Cyber Security Policy, Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information ("UPSI"), Code of Conduct and ethics, Corporate Governance Policy, Policy for Disclosure of Event/Information, Grievance Redressal Policy, Policy for

Notes forming part of the Consolidated Financial Statements (Continued)

maintenance of records, Derivatives Policy, Stewardship Policy, Voting Policy and Interest Rate Derivative Risk Management Policy.

49.2.3 **Capital Management Objectives and Policies**

The company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

i) To maintain the required level of stability of the company thereby providing a degree of security to policyholders.

ii) To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders.

iii) To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.

iv) To align the profile of assets and liabilities taking account of risks inherent in the business.

v) To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.

vi) To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The company have met all of these requirements throughout the financial year. In reporting financial strength, capital and solvency are measured using the rules prescribed by the Insurance Regulatory and Development Authority of India (IRDAI). These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written. The company's capital management policy for its insurance business is to hold sufficient capital to cover the statutory requirements based on the IRDAI directives.

The IRDAI requires life insurers to maintain a minimum Solvency Ratio of 150%. The Solvency Ratio is calculated as specified in the IRDA (Assets, Liabilities, and Solvency Margin of Insurers) Regulations, 2016. The Company's Solvency Ratio, as at March 31, 2020 is **184%** and as at March 31, 2019 188%.

Regulatory Framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the company maintains an appropriate solvency position to meet unforeseeable liabilities arising from economic shocks or natural disasters. The operations of the company are subject to regulatory requirements within the jurisdictions in which it operates.

Operational Risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

IT/ technology risks are driven through an inherent Information Security Management System, which is aligned and certified against the ISO 27001:2013 standard. Organisational data security and cybersecurity is catered to by a specialized team of full-time employees as well as contracted third-party SME's to ensure complete

Notes forming part of the Consolidated Financial Statements (Continued)

coverage of controls in the technology space. HDFC Life also has Business Continuity Management Policy in place to have a planned response in the event of any contingency ensuring recovery of critical activities at agreed levels within agreed timeframe, thereby complying with various regulatory requirements and minimizing the potential business impact.

Fraud Risk Management is an integral practice and is central to the ethics and value system of the Company. This is directly influenced by our promises to various stakeholders be it the policyholders, shareholders, or the regulatory authorities governing the industry and law enforcement agencies of safeguarding their interests. The company also has a dedicated team (Risk Monitoring & Control Unit) to manage fraud risks under the supervision of the CRO.

Operational risks are governed through the Risk Management Policy which is reviewed by the board on an annual basis. The Company uses the following tools/activities to manage the various operational risks faced:

1. A well defined Fraud Management Framework.
2. Systematic periodic Operational Risk Reviews and operational risk loss data collection.
3. Control reports.
4. RCSA (Risk & Control Self Assessment) to identify risks and evaluate the controls.
5. Key Risk Indicators for proactive management of key functional risks.
6. Incident management framework is being planned to monitor the near misses and plug loopholes in the system.
7. Process level risk assessment at the pre launch stage of critical processes.
8. BCMS Governance Procedure.

COVID-19

In light of the 'COVID-19' outbreak and information available up to the date of approval of this special purpose financial information, the Company has assessed the impact on assets including valuation and impairment of investments, liabilities including policy liability and solvency position.

Based on the evaluation, the Company has made

(a) adequate impairment provisions on the investments to an extent necessary.

(b) additional death claim provision of ₹ **41 Crore** as at the Balance sheet date. This provision is over and above the policy level liabilities calculated based on the prescribed IRDAI regulations.

The Company has also assessed its solvency position as at the Balance sheet date and is at @ 184%, which is above the prescribed regulatory limit of 150%. Further, based on the Company's current assessment of the business operations over next one year, it expects the solvency ratio to continue to remain above the minimum limit prescribed by the Insurance regulator. The impact of the global health pandemic may be different from that estimated as at the date of approval of this special purpose financial information. The Company will continue to closely monitor any material changes to future economic conditions.

49.2.4 Accounting Policy for Actuarial Liability

I. Product Classification of Insurance Business

Contracts where the Sum Assured or benefit on death at any time during the term of the contract is guaranteed to be greater than or equal to 105% of total premiums paid till date, are considered to have significant insurance risk, and hence such policy contracts have been classified as 'Insurance Contracts'. Contracts other than insurance contracts are classified as investment contracts.

Notes forming part of the Consolidated Financial Statements (Continued)

Insurance and investment contracts are classified as being either with or without discretionary participation feature (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that meet the following conditions:

a) Likely to be a significant portion of the total contractual benefits.

b) The amount or timing of which is contractually at the discretion of the issuer.

c) That are contractually based on:

   i. The performance of a specified pool of contracts or a specified type of contract.

   ii. Realized and/or unrealized investment returns on a specified pool of assets held by the issuer.

   iii. The profit or loss of the Company, fund or other entity that issues the contract.

II. Insurance Contract Liabilities

The actuarial liabilities, for all inforce policies and policies where premiums are discontinued but a liability exists as at the valuation date, are calculated in accordance with the generally accepted actuarial principles and practices, requirements of Insurance Act, 1938, as amended from time to time including amendment brought by the Insurance Laws (Amendment) Act, 2015, regulations notified by the IRDAI and Actuarial Practice Standard (APS) issued by the Institute of Actuaries of India with the concurrence of the IRDAI.

A brief of the methodology used is as given below:

1. The policy liabilities are valued on policy by policy basis, i.e. each policy is valued separately.

2. The reserves for linked business (individual and group) comprises of unit reserves and non-unit reserves. The unit reserves are determined on the basis of NAV of the units outstanding as at the valuation date and non-unit reserves are calculated using gross premium method.

3. The liabilities for individual non-linked non-participating and participating business are calculated using gross premium method and are subject to the minimum floor of surrender value. Additionally, individual non-linked participating policies also have a reference to the asset share of policies at valuation date.

4. The liabilities for one year renewable group protection business are calculated on the unexpired risk premium basis. For other than one year renewable group protection business, the liabilities are calculated using gross premium valuation method.

5. The liabilities for the group non-linked savings products are determined as the higher of policy account balances (including accrued interest/ bonuses) and reserves calculated by gross premium valuation method.

6. The liabilities in respect of rider benefits are determined as the higher of unexpired premium reserves and reserves calculated by gross premium valuation method.

7. Additional reserves are determined to:

   a. allow for the claims that may have occurred already but not yet reported (Incurred But Not Reported).

   b. allow for the servicing of existing policies if the Company were to close the new business one year from the valuation date (Closure to New Business).

Notes forming part of the Consolidated Financial Statements (Continued)

c. meet the expected liabilities that would arise on the revival of lapsed policies on the basis of the proportion of the policies expected to be revived based on the revival experience of the Company (Revival Reserve).

d. allow for the additional amount required to be paid on account of cancellation of policies due to look in, on the basis of the proportion of the policies expected to exercise the look-in option based on the experience of the Company (Look in Reserve).

e. allow for the cost of guarantees, wherever applicable.

III. Investment Contract Liabilities

The investment contract liabilities are recognized using the same accounting policies as those for insurance contract liabilities, taking into account the generally accepted actuarial principles and practices, requirements of Insurance Act, 1938, as amended from time to time including amendment brought by the Insurance Laws (Amendment) Act, 2015, regulations notified by the IRDAI and Actuarial Practice Standard (APS) issued by the Institute of Actuaries of India with the concurrence of the IRDAI.

IV. Reinsurance Assets

Reinsurance Asset, being net contractual rights receivable under re-insurance contract, has been recognized on the basis of Actuarial valuation involving assumption about the future. The assumptions include the determination of the discount rate, mortality rates etc. All assumptions are reviewed at each reporting date.

V. Liability Adequacy Test

The Company performs adequacy testing on its insurance liabilities to ensure that the carrying amounts of insurance contract liabilities is adequate as at the reporting dates.

VI. Insurance Risk

As an organization, HDFC Life firmly recognizes Risk Management as an integral building block to proactively manage risks and maximize opportunities related to achievement of its strategic objectives. The Enterprise Risk Management (ERM) framework within the Company operates as a feed-in system to various internal and external stakeholders, Management, and the Board of Directors.

The key insurance risks that the Company is exposed to are mortality, persistency and expenses. These are described below in further detail.

i) **Mortality Risk:**

Mortality risk arises primarily in the conventional non par and unit-linked life segments of the business. The risk arises due to the fact that the products written provide significant levels of life cover. The risk has increased with higher levels of minimum life cover required as per the new unit linked regulations and higher proportion of protection business.

The Company is exposed to mortality risk in two different ways.

1. A permanent deterioration in the mortality experience on lines of business with mortality risk would lead to reduction in the shareholder value due to higher than expected claim payouts and increased reserve requirements.

Notes forming part of the Consolidated Financial Statements (Continued)

2. A sudden, but temporary, increase in mortality claims due to some external event. Examples would be earthquakes and epidemics, where large numbers of insured lives are affected, leading to a high number of related claims. This 'catastrophe risk' is more likely to impact the group protection business, due to many of the lives being concentrated in the same location, or subject to the same event at one time. This would lead to reduction in shareholder value due to higher claims than expected.

   The Company manages mortality risk at a number of key stages, which are Product design, Underwriting at the proposal stage, Reinsurance, Reinsurance cover for catastrophic risks, Experience monitoring and Claims underwriting.

   The level of concentration of mortality risk is relatively low. There is no significant concentration by geographical region or industry for individual business. However, group protection business sold by the Company does have concentration risk. The Cat Re-cover has been put in place primarily to help mitigate this risk.

ii) Persistency Risk:

Persistency risk arises in all segments of the business. The risk arises due to the fact that the level of future premium and charge income is reduced from expected levels if actual persistency is not in line with that assumed. The Company is particularly exposed to this risk on the unit-linked business written from September 1, 2010, as the low surrender penalty in these policies results in the initial high acquisition costs not being recovered, if a policy lapses and the company does not get the expected future charges from renewal premiums. Adverse persistency experience is likely to affect the future income emerging from the business and result in potential loss/lower profits than expected.

The Company manages persistency risk in a number of ways; examples of these are Product design and Experience monitoring. The Company's management has a strategy in place to limit the impact of persistency risk, as it is recognized as one of the key risks facing the industry.

iii) Expense Risk:

The nature of the Company's operating model is that a large proportion of the costs are fixed in nature meaning that the risk can crystallize either through inadequate control of absolute expense levels or through sales volumes being significantly lower than expected, thus not covering the high fixed levels of expense. Failure to control expense levels could lead to adverse financial deviations from the forecasts which would lead to lower profits (or higher losses), higher capital requirements and reduction in new business profitability.

Strong controls have been implemented to reduce and contain costs which include exercising necessary caution in expenditure and exploring lower cost business model.

VII. Assumptions

The assumptions play vital role in calculating Insurance/Actuarial liabilities for the Group. Best estimate assumptions in use are based on historical and current experience, internal data and as per guidance notes/actuarial practice standards issued by the Institute of Actuaries of India. However, for the purpose of valuation an additional level of prudence has been kept on all the best estimate assumptions known as MAD (Margin for Adverse Deviation). The Company keeps adequate MAD, as prescribed in APS 7 issued by the Institute of Actuaries of India, in all assumptions over the best estimate value.

Best Estimate Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

Notes forming part of the Consolidated Financial Statements (Continued)

The key assumptions used for calculating the liability are provided below:

A) Mortality:

Assumptions are based on historical experience and for new products based on industry/re-insurers data.

Assumptions may vary by type of product, distribution channel, gender, etc.

Particulars	**Expressed as a % of IALM 2012-14, unless otherwise stated**		Expressed as a % of IALM 2006-08, unless otherwise stated	
	As at 31 March 2020		As at 31 March 2019	
	Minimum	**Maximum**	Minimum	Maximum
a) Individual business				
Participating policies	**48%**	**246%**	42%	264%
Non participating policies	**24%**	**384%**	24%	960%
Annuities	**32%**	**48%**	26%	36%
Unit linked	**24%**	**126%**	29%	138%
Health Insurance	**48%**	**83%**	120%	144%
b) Group Business (unit linked)	**42%**	**438%**	77%	480%

B) Expense and Inflation:

The values of future expenses have been determined on prudent assumptions to allow for-

i. All future maintenance expenses on an on-going basis

ii. The future expenses that are likely to be incurred if the company were to close to new business within 12 months of the valuation date.

The future maintenance expenses are provisioned using servicing costs per policy, claim expenses and investment expenses.

The per policy costs vary by premium frequency.

The claim expense assumption is specified as fixed amount per claim.

The per policy costs and claim expenses are increased at an inflation rate of 6.5% per annum.

In addition, investment expense of 0.036% of the fund is also reserved for.

The provision for future expenses likely to be incurred if the company were to close to new business is held as an aggregate reserve at a company level.

C) Lapse, Surrender and Partial withdrawal Rates:

The lapse, surrender and partial withdrawal rates are based on current experience of the Company. Assumptions may vary by type of product, distribution channel, duration for which policy has been in force, etc.

a) **Individual Business (Unit linked)**

The lapse/surrender, paid up or partial withdrawal rates are based on best estimate assumptions with a 20% MAD.

b) **Individual Business (non-Unit linked)**

- For the participating and non-participating savings contracts, the valuation bases incorporates lapse assumptions till the policy acquires a Guaranteed Surrender Value.

Notes forming part of the Consolidated Financial Statements (Continued)

- For the non-participating protection contracts, lapse assumptions are incorporated throughout the policy term.
- The lapse assumptions are based on best estimate assumptions with a 20% MAD.

D) Valuation Interest Rate:

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long–term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. The valuation interest rates are set by adjusting the derived weighted average return in compliance with minimum MAD requirements.

Assumptions on future bonus rates for participating business have been set to be consistent with valuation interest rate assumptions.

Particulars	As at March 31, 2020		As at March 31, 2019	
Individual Business	**Minimum**	**Maximum**	Minimum	Maximum
Life - Participating policies	**6.50%**	**5.80%**	5.80%	7.00%
Life - Non participating policies	**6.50%**	**5.20%**	5.20%	5.80%
Annuities – Participating policies	**N/A**	**N/A**	N/A	N/A
Annuities - Non participating policies	**6.70%**	**6.70%**	6.90%	6.90%
Annuities – Individual pension plan	**N/A**	**N/A**	N/A	N/A
Unit linked	**5.20%**	**5.20%**	5.20%	5.20%
Health Insurance	**6.50%**	**5.90%**	5.80%	5.80%
Group Business	**Minimum**	**Maximum**	Minimum	Maximum
Life – Non participating policies (exclude one year term policies)	**6.55%**	**5.95%**	5.80%	5.80%
Unit Linked	**5.20%**	**5.20%**	5.20%	5.20%

VIII. **Following tables present the movement in insurance and investment contract liabilities, reinsurance assets and deferred origination cost:**

I. Insurance Contracts Liabilities

₹ in Crore

Particulars	Change in Liabilities					
	As at March 31, 2020			As at March 31, 2019		
	With DPF	**Linked Business**	**Others**	With DPF	Linked Business	Others
Gross Liability at the beginning of the year	**28,619.41**	**53,609.07**	**17,299.02**	25,762.66	47,166.74	10,911.90
Add/(Less)						
Premium	**5,151.19**	**9,919.37**	**11,222.84**	5,342.41	10,261.32	7,591.65
Unwinding of the discount /Interest credited	**1,763.69**	**(9,480.01)**	**941.80**	1,596.17	2,808.90	275.14
Changes in valuation for expected future benefits	**-**	**30.49**	**-**	-	(4.80)	-
Insurance liabilities released	**(5,385.38)**	**(8,343.97)**	**(2,729.72)**	(4,081.82)	(6,623.09)	(1,479.66)
Gross Liability at the end of the year	**30,148.91**	**45,734.95**	**26,733.94**	28,619.41	53,609.07	17,299.02
Recoverable from Reinsurance	**68.31**	**0.08**	**3,890.49**	13.22	0.20	2,357.17
Net Liability	**30,080.60**	**45,734.87**	**22,843.45**	28,606.19	53,608.87	14,941.85

Notes forming part of the Consolidated Financial Statements (Continued)

II. Investment Contract

₹ in Crore

Particulars	As at March 31, 2020			As at March 31, 2019		
	With DPF	Linked Business	Total	With DPF	Linked Business	Total
At the beginning of the year	**9,761.35**	**10,093.87**	**19,855.21**	7,244.30	10,352.99	17,597.29
Additions						
Premium	**3,427.21**	**1,037.18**	**4,464.39**	3,022.96	782.62	3,805.57
Interest and Bonus credited to policyholders	**875.06**	**(702.65)**	**172.41**	657.98	551.78	1,209.75
Deductions						
Withdrawals / Claims	-	-	-	(1,163.89)	(1,503.67)	(2,667.56)
Fee Income and Other Expenses	**(2,093.52)**	**(1,509.99)**	**(3,603.51)**	-	(89.85)	(89.85)
Others Profit and loss	-	**(94.54)**	**(94.54)**	-	-	-
At the end of the year	**11,970.10**	**8,823.87**	**20,793.96**	9,761.35	10,093.87	19,855.21

III. Reinsurance Assets

₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
At the beginning of the year	**2,421.93**	1,965.88
Add/(Less)		
Premium	**483.29**	262.02
Unwinding of the discount /Interest credited	**154.01**	112.14
Change in valuation for expected future benefits	**1,434.27**	324.53
Insurance liabilities released	**(459.48)**	(220.30)
Others (experience variations)	**(73.44)**	(22.34)
At the end of the year	**3,960.58**	2,421.93
Expected credit loss	**3.91**	2.26
Net reinsurance assets	**3,956.67**	2,419.66

IV. Deferred Acquisition Cost

Particulars	₹ in Crore
As at 31 March 2018	9.96
Expenses deferred	-
Amortisation	(3.06)
As at 31 March 2019	6.90
Expenses deferred	
Amortisation	(2.00)
As at 31 March 2020	**4.90**

49.3 Risk disclosures pertaining to General Insurance Business

49.3.1 Risk Management Framework

The Company recognizes the criticality of having robust risk management practices to meet its objectives. The Company is committed to an effective and robust Risk Management Framework, which addresses various risks faced by it. The Company has therefore formulated a comprehensive Risk Management Framework (RMF) across all operating processes for identification, management and monitoring of Entity Level Risk, Insurance Risk, Asset Risk, Operational Risk, Financial Risk and Information Security Risk.

Notes forming part of the Consolidated Financial Statements (Continued)

Risk Management is a concurrent process within the Company.

Under the Risk Management Framework, risks associated with the operations of the Company are identified and prioritized based on impact and likelihood of its occurrence. Risk owners are identified for each risk for monitoring and reviewing the risk mitigation. The Company has constituted a Risk Management Committee (RMC) comprising members of the Board of Directors which is responsible for monitoring the Risk Management Framework of the Company and implementation of the Risk Management Strategy. The RMC is assisted by its Sub-Committee in the discharge of its responsibilities.

All key risks are reviewed quarterly by the Senior Management and the Sub-Committee of the Risk Management Committee of the Board at the Executive Management level.

The Risk Management Committee *inter-alia*:

a. Assists the Board in effective operation of the risk management system by ensuring performance of specialized analysis and quality reviews;

b. Advise the Board with regard to risk management decisions in relation to strategic and operational matters;

c. Reports to the Board on a quarterly basis, details of the risk exposures and the actions taken to manage the exposures; and

d. Reviews and monitors risks pertaining to the operations on a regular basis.

a. **Insurance Risk**

The risk of loss due to either inadequate pricing or inadequate claims handling or inadequate reinsurance protection or inadequate reserving. As a nature of business, there are inherent uncertainties as to occurrence, amount and timing of insurance liabilities which arises due to adverse experience in amount or frequency of claims or in their aggregation from a single occurrence or series of occurrences arising from a single originating cause.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

Control Measures

The Company has a Board approved risk management policy covering underwriting, claims and reserving for policy liabilities. The company has a detailed claims processing manual in place.

Accumulation of risk is monitored at various levels – geographically, line of business wise, channel wise, etc. This approach aids the Company to adopt an enterprise level risk management approach; thus benefiting from diversification and internal price management of the risks accepted for insurance.

The Company's reserving guidelines is reviewed on a periodic basis to minimize the risks of under or over provisioning and enable the Company to proactively adjust strategy in a timely manner.

Prudent margins are built in reserves and a regular monitoring of its adequacy is done concurrently.

The reinsurance risk model is used to estimate and monitor the variation between the annual contracted reinsurance program vis-à-vis the optimal arrangement as measured by the model.

Optimal protection is ensured through well designed Reinsurance program arrangements with financially sound reinsurers.

The Company has taken Catastrophe (CAT) protection in order to mitigate the risks of large losses arising from probable catastrophic events.

Notes forming part of the Consolidated Financial Statements (Continued)

b. **Operational Risk**

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

Control Measures

Operational risks are governed through Risk Management Policy.

The Company has also initiated a Risk Control Self Assessment process to embed the control testing as a part of day to day operations.

Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and periodic assessment processes.

a) **Concentration of Insurance Risk**

The Company uses different proprietary models to estimate the Company's accumulation exposure to potential natural disasters (e.g. earthquakes, tropical storms, floods etc.) and other man-made catastrophes (e.g. industrial accidents and building fires). The aggregation of losses on account of a single event constitutes the largest individual potential financial loss to the Company and potentially material year-to-year fluctuations in the results of operations and financial position. The Company actively monitors and limits the aggregate exposure to catastrophe losses in regions that are subject to high levels of natural perils.

The Company mitigates its exposure to concentrations of insurance risk by holding a portfolio diversified into many classes of business across different regions and by the utilisation of reinsurance, taking into account it's risk tolerance, cost of reinsurance and capital efficiency. The reinsurance cover limits the Company's financial exposure to a single event with a given probability and also protects capital.

In terms of exposure, Motor aggregates are monitored and given that the underlying risks are not necessarily static to a particular region, their accumulations cannot be accurately known. Similarly, in respect of Health class of business, the biggest catastrophic exposure is in respect of Pandemic loss. The Company looks at the overall concentration of the risks in each geography and given the low levels of insurance penetration, this is not considered as a significant risk to the Company. The Company continues to monitor the ongoing COVID-19 pandemic situation in the country and its potential impact on the portfolio. Currently, the measures implemented by the Government of India, i.e. nationwide lockdown, tracking, testing and treating COVID-19 infected patients in designated hospitals, should alleviate the spread of infections amongst individuals. The accumulation risk is evaluated on an ongoing basis and adequate risk mitigation strategies e.g. Reinsurance would be employed by the Company as it becomes significant.

b) **Claims Development Table**

Insurance Companies are required to establish reserves in their accounts for the unpaid portion of ultimate claims costs (including loss adjustment expenses) that have been 'incurred but not reported' (IBNR) and 'incurred but not enough reported' (IBNER) as at the end of each reporting period. The process of establishing this reserves is complex, as it takes into consideration many variables that are subject to the outcome of future events. Reserves do not represent an exact calculation of liability but rather represent estimates, generally involving actuarial projections at a given time, of what the Company expects the ultimate settlement of claims will cost.

Notes forming part of the Consolidated Financial Statements (Continued)

The table provides an overview of development of Company's estimates of total claim amounts payable in relation to a given Accident year over time. A significant proportion of the Company's reserves are for motor third party liability, which tend to involve longer periods of time for the reporting and settlement of claims and are affected by economic inflation, unpredictability of court decisions, risks inherent in major litigation and legislative changes etc. This may increase the inherent risk and uncertainty associated with loss reserve estimates.

Gross Paid Losses and Loss Adjustment Expenses ₹ in Crore

As at March 31, 2020	AY 11	AY 12	AY 13	AY 14	AY 15	AY 16	AY 17	AY 18	AY 19	AY 20
Estimated Ultimate Incurred liability at the of:	741.00	770.00	1,065.00	1,785.00	2,183.00	2,313.00	4,258.00	4,700.00	5,850.00	6,604.00
End of First year	411.00	424.00	548.00	924.00	1,020.00	1,300.00	1,430.00	1,962.00	2,913.00	2,465.00
One year later	597.00	637.00	840.00	1,416.00	1,590.00	1,806.00	3,055.00	3,307.00	4,171.00	
Two years later	641.00	705.00	903.00	1,541.00	1,754.00	2,011.00	3,496.00	3,484.00		
Three years later	663.00	725.00	948.00	1,613.00	1,845.00	2,141.00	3,578.00			
Four years later	677.00	739.00	973.00	1,666.00	1,916.00	2,223.00				
Five years later	692.00	749.00	1,006.00	1,710.00	1,963.00					
Six years later	702.00	762.00	1,025.00	1,744.00						
Seven years later	713.00	771.00	1,071.00							
Eight years later	722.00	777.00								
Nine years later	726.00									

Gross Unpaid Losses and Loss Adjustment Expenses ₹ in Crore

As at March 31, 2020	AY 11	AY 12	AY 13	AY 14	AY 15	AY 16	AY 17	AY 18	AY 19	AY 20
End of First year	331.00	346.00	516.00	860.00	1,163.00	1,012.00	2,828.00	2,739.00	2,937.00	4,138.00
One year later	137.00	210.00	264.00	519.00	523.00	584.00	998.00	1,125.00	1,605.00	
Two years later	106.00	128.00	146.00	363.00	345.00	513.00	644.00	903.00		
Three years later	90.00	56.00	168.00	288.00	358.00	392.00	548.00			
Four years later	77.00	62.00	107.00	308.00	285.00	310.00				
Five years later	75.00	57.00	138.00	270.00	222.00					
Six years later	66.00	48.00	125.00	242.00						
Seven years later	66.00	47.00	78.00							
Eight years later	55.00	41.00								
Nine years later	57.00									

Gross Incurred Losses and Allocated Expenses (Ultimate Movement) ₹ in Crore

As at March 31, 2020	AY 11	AY 12	AY 13	AY 14	AY 15	AY 16	AY 17	AY 18	AY 19	AY 20
End of First year	741.00	770.00	1,065.00	1,785.00	2,183.00	2,313.00	4,258.00	4,700.00	5,850.00	6,604.00
One year later	734.00	846.00	1,103.00	1,935.00	2,113.00	2,391.00	4,053.00	4,432.00	5,776.00	
Two years later	747.00	833.00	1,050.00	1,904.00	2,099.00	2,525.00	4,140.00	4,386.00		
Three years later	753.00	781.00	1,116.00	1,901.00	2,203.00	2,533.00	4,126.00			
Four years later	754.00	801.00	1,080.00	1,974.00	2,201.00	2,533.00				
Five years later	767.00	806.00	1,144.00	1,981.00	2,185.00					
Six years later	768.00	810.00	1,150.00	1,987.00						
Seven years later	779.00	819.00	1,149.00							
Eight years later	777.00	818.00								
Nine years later	783.00									

Notes:

1. Pool claims are excluded from the above table.
2. For Crop and Weather Insurance class of business, Accident Year corresponds to the year in which Premium is received.
3. The impact on the unpaid claims liability of the Company on account of landmark judgements issued by Supreme Court of India and various High Courts e.g. PranaySethi (October 2017) and other legislative changes e.g. U/s 163(A) of The Motor Vehicle Act, 1988 has been allowed for in the claims ultimate.

Notes forming part of the Consolidated Financial Statements (Continued)

c. **Sensitivities**

The non-life insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non–linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Assumptions	Change in Assumption	Increase/ (Decrease) on Gross Liabilities		Increase/ (Decrease) on Net Liabilities	
		2019-2020	2018-2019	2019-2020	2018-2019
Increase					
Average claim cost	10%	10.02%	10.02%	10.43%	10.43%
Average number of claims	10%	2.48%	2.48%	2.48%	2.48%
Decrease					
Average claim cost	(10%)	(9.99%)	(9.99%)	(10.40%)	(10.40%)
Average number of claims	(10%)	(2.48%)	(2.48%)	(2.48%)	(2.48%)

Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

Control Measures

Operational risks are governed through Risk Management Policy. The Company has also initiated a Risk Control Self Assessment process to embed the control testing as a part of day to day operations. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and periodic assessment processes.

Insurance Liabilities		₹ in Crore
Particulars	**March 31, 2020**	March 31, 2019
Opening balance	**11,174.31**	10,094.05
Claims O/S including IBNR (net)	**2,596.85**	695.32
Reserve for Unexpired Risk	**1663.79**	562.76
Unallocated premium	**164.33**	(174.51)
Premium received in advance	**402.11**	300.03
Due to other insurance companies	**1,417.85**	(307.23)
Due to Policyholders	**4.07**	3.89
Closing balance	**17,423.31**	11,174.31

Reinsurance Assets		₹ in Crore
Particulars	**March 31, 2020**	March 31, 2019
Opening balance	**4,229.64**	3,750.75
Outstanding premium	**233.46**	168.07
Due from other insurance companies	**(46.96)**	9.31
RI Recovery on Claims Outstanding	**1,397.46**	39.36
Other accruals / receivables	**322.81**	262.15
Closing balance	**6,136.41**	4,229.64

Notes forming part of the Consolidated Financial Statements (Continued)

d. **Financial Risk Management Objectives**

The Company is exposed to market risk (other price risk), credit risk and liquidity risk.

(i) **Market Risk (Other Price Risk)**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market price. The Company is exposed to financial and capital market risk-the risk that the fair value of future cash flows of financial instrument will change because of changes or volatility in market prices.

The Company is exposed to equity price risks arising from equity investments. Certain equity investments of the Company are held for strategic as well as trading purposes.

Equity Price Sensitivity Analysis

The company has analysed, at scrip level, the sensitivity to changes in the equity prices, based on the movement of each scrip during the year. Had the equity prices moved in the range of 2% profit for the year ended March 31, 2020, would have deviated by ₹ **2.73 Crore** (Previous Year ₹ 5.35 Crore).

e. **COVID - 19**

In light of the COVID-19 outbreak and the information available upto the date of approval of these financial statements, the Company has assessed the impact of COVID-19 and the subsequent lock-down announced by the Central Government, on its operations and its financial statements. The assessment includes but is not limited to valuation of investments, valuation of policy-related liabilities and solvency position of the Company as at March 31, 2020. Further, there have been no material changes in the controls or processes followed (except for the accounting of premium in relation to Motor third party liability cases as directed by IRDAI and as mentioned below) in the financial closing process of the Company. The Company continues to closely monitor the implications of COVID-19 on its operations and financial statements, which are dependent on emerging uncertain developments.

The IRDAI vide Circular No. IRDAI/NL/CIR/MOT/081/04/2020 dated April 3, 2020 has provided clarifications on its Circular No. IRDAI/NL/CIR/MOT/079/04/2020 dated April 2, 2020 issued in relation to accounting of premium on the Motor third party liability cases falling due for renewal during the lockdown period (March 25, 2020 to April 14, 2020) (subsequently extended to May 3, 2020) as a result of COVID-19 pandemic.

50. Business Combinations

50.1 **Summary of Acquisition**

Pursuant to receipt of approvals from Reserve Bank of India, Insurance Regulatory and Development Authority of India and Competition Commission of India, the Corporation has, on January 9, 2020, acquired 51.16% of the equity share capital of HDFC ERGO Health Insurance Limited (formerly Apollo Munich Health Insurance Company Limited).

HDFC ERGO Health Insurance Ltd. is a public company registered under the Companies Act, 2013 and with the IRDAI to carry on the business of general insurace in India and be a standalone health insurance company.

Further, the Corporation has initiated necessary steps of merger of HDFC ERGO Health Insurance Ltd. (HDFC ERGO Health) and HDFC ERGO General Insurance Company Ltd (HDFC ERGO), subsidiary of the Corporation, subject to approval of the National Company Law Tribunal, Mumbai.

Notes forming part of the Consolidated Financial Statements (Continued)

The Scheme *inter alia* envisages amalgamation of the HDFC ERGO Health into and with HDFC ERGO and dissolution of the HDFC ERGO Health without winding up. This merger will result in the shareholders holding shares in a single company carrying on the business of general insurance, leading to synergy in operations, greater financial strength, and improve the position of the merged entity by offering unified yet comprehensive services.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase Consideration	₹ in Crore
Paid in cash and cash equivalent	1,495.81
Contingent Consideration	-
Total Consideration	**1,495.81**

The Assets and Liabilities recognised as a result of the acquisition are as follows:

Purchase Consideration	₹ in Crore
Cash and Bank Balances	96.80
Investments	1,632.94
Other Financial Assets	557.28
Non-Financial Assets	130.16
Customer relationships (Incl. Value of In Force Policies) (Useful life - 10 years)	334.50
Distribution Network -Bancassurance (Useful life - 3 years)	40.60
Distribution Network -Agency (Useful life - 5 years)	296.00
Non-Compete Agreement (Useful life - 3 years)	36.30
Financial Liabilities	(1,889.96)
Non-Financial Liabilities	(217.15)
Net Identified Assets Acquired	**1,017.47**

Calculation of Goodwill	₹ in Crore
Consideration transferred	1,495.81
Non-Controlling Interest in Acquired Entity	496.93
Less: Net Identified Assets Acquired	(1,017.47)
Goodwill	**975.27**

Accounting Policy for Non-Controlling Interests

The Corporation has recognised Non-Controlling Interest in an HDFC ERGO Health at its proportionate share of the acquired Net Identified Assets.

50.2 **Purchase Consideration - Cash Outflow**

Outflow of cash to acquire subsidiary, net of cash acquired	₹ in Crore
Cash Consideration paid	1,495.81
Less: Cash and Bank Balances acquired	96.80
Net outflow of cash - Investing Activities	**1,399.01**

Since the acquisition date, the Corporation has recognised net revenue of ₹ **774.89 Crore** and loss of ₹ **56.21 Crore** included in the consolidated statement of profit and loss for the reporting period. Had the acquisition happened on the first day of the reporting period, the Corporation would have recognised net revenue of ₹ **2,732 Crore** and loss of ₹ **431.72 Crore.**

50.3 **Detail of the sale of shares of subsidiary i.e. GRUH Finance Limited and amalgamation thereafter**

In view of the scheme of amalgamation filed by GRUH Finance Limited ("GRUH"), a Subsidiary of the Corporation, and Bandhan Bank Limited ("Bandhan") and the subsequent directive by the Reserve Bank of India to the Corporation to hold not more than 9.9% of the share capital of Bandhan post merger, the Corporarion sold the shares of the GRUH during the period, and the Corporation's shareholding in GRUH was reduced to 38% on August 30, 2019, accordingly the same was classified as an associate company. The effective date of the merger of GRUH into and with Bandhan Bank Limited (Bandhan Bank) was October 17, 2019. The Corporation was allotted 15,93,63,149 shares aggregating 9.90% of the total issued share capital of Bandhan.

₹ in Crore

Particulars	Derecognition of		Total
	Subsidiary	Associate	
Consideration Received			
Cash	1,647.52	-	1,647.52
Fair value of the shares of GRUH	7,249.90	-	7,249.90
Fair value of the shares of Bandhan Bank	-	9,059.80	9,059.80
	8,897.42	9,059.80	17,957.22
Carrying amount of net assets sold	897.13	7,260.99	8,158.12
Gain on sale before Income tax	**8,000.29**	**1,798.81**	**9,799.10**
Income tax expense on gain			782.69
Gain on sale after Income tax	**8,000.29**	**1,798.81**	**9,016.41**

51. **Additional Information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the Companies Act, 2013 (As on/for the year ended March 31, 2020)**

₹ in Crore

Name of the Entity	Share of Profit / (Loss)		Share of Other Comprehensive Income		Share of Total Comprehensive Income	
	As % of consolidated Profit or loss	Amount	As % of consolidated Other Comprehensive Income	Amount	As % of consolidated Total Comprehensive Income	Amount
Parent						
Housing Development Finance Corporation Limited		17,769.65		(6,652.31)		11,117.34
Less: Inter Company eliminations		3,704.18		-		3,704.18
Net of eliminations	**65.61%**	**14,065.47**	**104.37%**	**(6,652.31)**	**49.24%**	**7,413.16**
Subsidiaries - Indian						
1. GRUH Finance Ltd.	0.81%	174.11	0.01%	(0.51)	1.15%	173.60
2. HDFC Life Insurance Co. Ltd.	6.23%	1,335.25	(1.46%)	92.90	9.48%	1,428.15
3. HDFC ERGO General Insurance Co. Ltd.	2.27%	486.15	(3.22%)	205.43	4.59%	691.58

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Name of the Entity	Share of Profit / (Loss)		Share of Other Comprehensive Income		Share of Total Comprehensive Income	
	As % of consolidated Profit or loss	Amount	As % of consolidated Other Comprehensive Income	Amount	As % of consolidated Total Comprehensive Income	Amount
4. HDFC ERGO Health Insurance Ltd.	(0.26%)	(56.21)	(0.51%)	32.38	(0.16%)	(23.83)
5. HDFC Asset Management Co. Ltd.	5.97%	1,279.32	0.05%	(3.08)	8.47%	1,276.24
6. HDFC Trustee Co. Ltd.	0.00%	0.59	0.00%	-	0.00%	0.59
7. HDFC Investment Trust	(0.08%)	(16.34)	0.00%	-	(0.11%)	(16.34)
8. HDFC Investment Trust - II	0.15%	31.83	0.00%	-	0.21%	31.83
9. HDFC Venture Capital Ltd.	0.00%	(0.23)	0.00%	-	0.00%	(0.23)
10. HDFC Ventures Trustee Co. Ltd.	0.00%	(0.02)	0.00%	-	0.00%	(0.02)
11. HDFC Property Venture Ltd.	(0.11%)	(22.93)	0.01%	(0.39)	(0.15%)	(23.32)
12. HDFC Pension Management Co. Ltd.	0.00%	(0.76)	0.00%	(0.02)	(0.01%)	(0.78)
13. HDFC Capital Advisors Ltd	0.12%	26.17	0.01%	(0.46)	0.17%	25.71
14. HDFC Investments Ltd.	0.06%	13.52	(0.10%)	6.24	0.13%	19.76
15. HDFC Holdings Ltd.	0.02%	3.87	0.28%	(17.84)	(0.09%)	(13.97)
16. HDFC Sales Pvt. Ltd.	(2.35%)	(503.55)	0.05%	(3.45)	(3.37%)	(507.00)
17. HDFC Credila Financial Services Pvt. Ltd.	0.57%	122.62	0.26%	(16.84)	0.70%	105.78
18. HDFC Education and Development Services Pvt. Ltd.	0.00%	(0.98)	0.00%	(0.01)	(0.01%)	(0.99)
Subsidiaries - Foreign						
19. Griha Investments	0.00%	(0.64)	0.00%	-	0.00%	(0.64)
20. Griha Pte. Ltd.	0.07%	14.59	0.00%	-	0.10%	14.59
21. HDFC International Life and Re Company Ltd	(0.02%)	(4.91)	0.00%	-	(0.03%)	(4.91)
Share of Minorities	(6.49%)	(1,391.90)	2.52%	(160.82)	(10.31%)	(1,552.72)
Associates (Investment as per the equity method) - Indian						
1. HDFC Bank Limited	27.43%	5,879.83	(2.27%)	144.54	40.00%	6,024.37
2. True North Ventures Pvt. Ltd.	0.00%	0.14	0.00%	-	0.00%	0.14
3. Good Host Spaces Pvt. Ltd	0.00%	(0.42)	0.00%	-	0.00%	(0.42)
Total	**100.00%**	**21,434.57**	**100.00%**	**(6,374.24)**	**100.00%**	**15,060.33**

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Name of the Entity	Net assets i.e. Total Assets minus Total Liabilities	
	As % of consolidated net assets	Amount
Parent		
Housing Development Finance Corporation Limited		86,158.06
Less: Inter Company eliminations		16,282.26
Net of eliminations	**52.21%**	**69,875.80**
Subsidiaries - Indian		
1. HDFC Life Insurance Co. Ltd.	2.34%	3,129.36
2. HDFC ERGO General Insurance Co. Ltd.	0.68%	909.53
3. HDFC ERGO Health Insurance Ltd.	0.12%	157.57
4. HDFC Asset Management Co. Ltd.	1.97%	2,634.97
5. HDFC Trustee Co. Ltd.	0.00%	1.81
6. HDFC Investment Trust	0.00%	4.19
7. HDFC Investment Trust - II	0.05%	67.16
8. HDFC Venture Capital Ltd.	0.00%	(0.06)
9. HDFC Ventures Trustee Co. Ltd.	0.00%	1.17
10. HDFC Property Venture Ltd.	0.00%	0.59
11. HDFC Pension Management Co. Ltd.	0.00%	(1.46)
12. HDFC Capital Advisors Ltd	0.04%	50.73
13. HDFC Investments Ltd.	0.34%	451.16
14. HDFC Holdings Ltd.	0.08%	104.95
15. HDFC Sales Pvt. Ltd.	(0.02%)	(32.82)
16. HDFC Credila Financial Services Pvt. Ltd.	0.07%	98.59
17. HDFC Education and Development Services Pvt. Ltd.	(0.02%)	(20.64)
Subsidiaries - Foreign		
18. Griha Investments	0.08%	105.26
19. Griha Pte. Ltd.	0.04%	51.80
20. HDFC International Life and Re Company Ltd.	0.00%	5.74
Share of Minorities	5.50%	7,357.32
Associates (Investment as per the equity method) - Indian		
1. HDFC Bank Limited	36.40%	48,712.74
2. True North Ventures Pvt Ltd.	0.00%	1.62
3. Good Host Spaces Pvt. Ltd.	0.12%	154.17
4. Magnum Foundations Pvt. Ltd.	0.01%	15.23
Total	**100.00%**	**1,33,836.48**

Notes forming part of the Consolidated Financial Statements (Continued)

52. Material partly-owned Subsidiaries

Financial information of subsidiaries that have material non-controlling interest is provided below:

(₹ in Crore)

Particulars (As at March 31, 2020)	HDFC Life Insurance Co. Ltd.	HDFC Ergo General Insurance Co. Ltd.	HDFC Asset Management Co. Ltd.
Proportion of interest held by non-controlling entities	**48.56%**	**49.52%**	**47.28%**
Accumulated balances of material non-controlling interest	**3,442.94**	**1,311.85**	**1,905.23**
Summarised Financial Information for the Balance Sheet			
Financial Assets	**1,39,085.69**	**18,401.99**	**4,066.14**
Non-Financial Assets	**1,140.87**	**588.19**	**242.46**
Financial Liabilities	**4,886.76**	**16,254.20**	**225.10**
Non-Financial Liabilities	**1,28,249.42**	**86.74**	**54.24**
Dividend paid to Non-controlling Interest net of Dividend Distribution tax	**-**	**-**	**145.41**
Summarised Financial Information for the Statement of Profit and Loss			
Revenue from Operations	**27,749.89**	**13,787.04**	**2,003.25**
Profit for the year	**1,141.24**	**409.31**	**1,262.41**
Other Comprehensive Income	**92.90**	**205.43**	**(3.08)**
Total Comprehensive Income	**1,234.14**	**614.74**	**1,259.33**
Summarised Financial Information for Cash Flows			
Net Cash inflows from Operating Activities	**7,360.98**	**2,086.83**	**1,284.84**
Net Cash inflows from Investing Activities	**(7,771.68)**	**(1,717.70)**	**(927.54)**
Net Cash inflows from Financing Activities	**39.52**	**(22.60)**	**(331.56)**
Net Cash inflow (Outflow)	**(371.18)**	**346.54**	**25.74**

(₹ in Crore)

Particulars (As at March 31, 2019)	HDFC Life Insurance Co. Ltd	HDFC Ergo General Insurance Co. Ltd	HDFC Asset Management Co. Ltd	GRUH Finance Ltd
Proportion of interest held by non-controlling entities	51.48%	50.49%	52.77%	56.09%
Accumulated balances of material non-controlling interest	2,316.27	872.34	931.82	645.68
Summarised Financial Information for the Balance Sheet				
Financial Assets	1,31,900.03	13,816.93	3,097.79	18,580.36
Non-Financial Assets	1,474.86	336.16	125.96	85.61
Financial Liabilities	4,863.58	12,115.38	113.05	16,724.79
Non-Financial Liabilities	1,22,057.50	13.78	39.98	49.74
Dividend paid to Non-controlling Interest net of Dividend Distribution tax	192.30	81.30	145.23	62.03
Summarised Financial Information for the Statement of Profit and Loss				
Revenue from Operations	37,921.19	12,066.73	2,096.78	2,026.65
Profit for the year	1,257.00	353.33	930.60	447.20
Other Comprehensive Income	(20.44)	40.09	(0.40)	(0.53)
Total Comprehensive Income	1,236.56	393.42	930.20	446.67
Summarised Financial Information for Cash Flows				
Net Cash inflows from Operating Activities	9,871.30	658.19	894.14	(1,432.15)
Net Cash inflows from Investing Activities	(10,186.58)	(524.95)	(776.55)	49.11
Net Cash inflows from Financing Activities	(336.49)	(188.31)	(118.64)	2,418.41
Net Cash inflow (Outflow)	(651.77)	(55.07)	(1.05)	1,035.37

HDFC Life Insurance Co. Ltd. and HDFC ERGO General Insurance Co. Ltd. for the purposes of its statutory compliance prepares and presents its financial statements/results under the historical cost convention and accrual basis of accounting in accordance with the acounting principles prescribed by the Insurance Regulatory Development Authority of India (IRDAI) (Preparation of Financial Statements and Auditors Report of Insurance companies) regulations, 2002, circulars and guidelines issued by the IRDAI from time to time, Accounting Standards ('AS') specified under Section 133 of the Companies Act, 2013, read together with relevant rules, in so far as they apply to Insurance companies. These financial statements/results are largely referred to as the Indian GAAP ('IGAAP') financial statements/results. The Ministry of Corporate Affairs, India, in its press release dated January 18, 2016, had issued a roadmap for implementation of IFRS converged Indian Accounting Standards ('IND-AS'). The timelines for the said implementation have since been deferred.

HDFC Life Insurance Co. Ltd. and HDFC ERGO General Insurance Co. Ltd., being subsidiaries of Housing Development Finance Corporation Limited (the 'Corporation'), has prepared this consolidated financial information ('fit- for consolidation information'), in accordance with the recognition and measurement principles of IND-AS as specified under Section 133 of the Companies Act, 2013, for the purposes of preparing the consolidated financial statements/results of the Corporation.

53. Events after the Reporting Period

There have been no events after the reporting date that require disclosure in these financial statements.

54. Approval of Financial Statements

The financial statements were approved by the Board of directors of the Corporation on May 25, 2020.

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firms' Regst. No: 101248W/W-100022

Akeel Master
Partner
Membership No. 046768

MUMBAI, May 25, 2020

Deepak S. Parekh
Chairman
(DIN: 00009078)

Keki M. Mistry
Vice Chairman &
Chief Executive Officer
(DIN: 00008886)

Renu Sud Karnad
Managing Director
(DIN: 00008064)

Directors

J. J. Irani
(DIN: 00311104)

U. K. Sinha
(DIN: 00010336)

Bhaskar Ghosh
(DIN: 06656458)

V. Srinivasa Rangan
Executive Director &
Chief Financial Officer
(DIN: 00030248)

Nasser Munjee
(DIN: 00010180)

Jalaj Dani
(DIN: 00019080)

Ireena Vittal
(DIN: 05195656)

Ajay Agarwal
Company Secretary
(FCS: 9023)

Shareholders' Information

43rd Annual General Meeting (AGM)

Day/Date	:	Thursday, July 30, 2020
Time	:	2:30 p.m.
Venue	:	AGM would be held at Rama & Sundri Watumull Auditorium, K. C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400 020 and through two way Video-Conference facility (VC).

E-voting Period

Starts	:	Monday, July 27, 2020 at 10:00 a.m.
Ends	:	Wednesday, July 29, 2020 at 5:00 p.m.
Cut-off date for e-voting	:	Thursday, July 23, 2020
	:	Shareholders whose names appear in the Register of Members/ statements of beneficial position as on the cut-off date shall be eligible to vote either through remote e-voting or during the AGM.
Book Closure	:	From Monday, July 13, 2020 to Thursday, July 30, 2020 (both days inclusive).

Payment of Dividend

Recommended dividend	:	₹ 21 per equity share of ₹ 2 each.
Probable date of payment	:	Friday, July 31, 2020 (subject to the approval of the Members at the 43rd AGM).
Financial Year	:	April 1 to March 31

Financial Calendar – 2020-21

Type of meeting	Purpose in brief	Indicative Schedule
Audit & Governance Committee/Board Meeting	To review and approve the un-audited financial results for the quarter ending June 30, 2020, subject to a limited review.	Thursday, July 30, 2020
Audit & Governance Committee/Board Meeting	To review and approve the un-audited financial results for the quarter/ half-year ending September 30, 2020, subject to a limited review.	By first week of November 2020
Audit & Governance Committee/Board Meeting	To review and approve the un-audited financial results for the quarter/ nine months ending December 31, 2020, subject to a limited review.	By last week of January 2021
Audit & Governance Committee/Independent Directors/Board Meeting	To consider various matters including risk management and board evaluation.	March 2021
Audit & Governance Committee/Board Meeting	To review and approve the audited financial results for the year ending March 31, 2021 and recommend dividend, if any, for the financial year ending March 31, 2021.	By second week of May 2021

Additional meetings of board and committees thereof may be convened as and when deemed necessary.

Tax Deducted at Source (TDS) on Dividend

The Finance Act, 2020 abolished the Dividend Distribution Tax (DDT) regime w.e.f. April 1, 2020 and introduced the system of dividend taxation under which the Corporation would be required to deduct tax at source (TDS), in respect of payment of dividend to its shareholders, resident as well as non-resident, if so approved at the ensuing AGM. The rate of TDS to be applied by the Corporation would depend upon the status of the recipient and is explained herein below:

(i) **Resident shareholders:** In case of resident shareholders, Section 194 of the Income-Tax Act, 1961 (I-T Act) provides mandate for withholding tax at the rate of 10% on dividend income. The Central Board of Direct Taxes issued a Press Release dated May 13, 2020 stating that TDS rates on the amount paid or credited to residents during the period from May 14, 2020 to March 31, 2021 has been reduced by 25%. Thus, in case of resident shareholders, withholding tax at the rate of 7.5% (instead of 10%) on dividend income shall apply under Section 194 of the I-T Act. However, in case of shareholders who have not submitted their Permanent Account Number (PAN) with the Corporation/Depository Participant (DP), TDS at the rate of 20% will apply.

Accordingly, Members who have not provided their PAN are requested to provide the same to the Corporation (in respect of shares held in physical form) or to the DP (in respect of shares held in electronic form), on or before Saturday, July 11, 2020.

Resident shareholders, being an individual, whose total dividend income in a financial year exceed ₹ 5,000 and who wish to receive dividend without deduction of tax at source may submit a declaration in Form No. 15G/15H, in original to the Corporation at its Registered Office. Template of Form No. 15G/15H can be downloaded from the website of the Corporation, *https://www.hdfc.com/investor-services#dividend* or by writing an e-mail to *investorcare@hdfc.com*.

Shareholders are requested to note that while submission of original form is mandatory, they may submit the said documents online at *https://investorservices.hdfc.com/isd_form15gh.*

(ii) **Non-resident shareholders [other than Foreign Portfolio Investors/Foreign Institutional Investors (FPI/FII)]**

In case of non-resident shareholders, Section 195 of the I-T Act provides mandate for withholding tax at the rate of 20% plus applicable surcharge and health and education cess of 4% on dividend income making effective rate of TDS as under:

For non-resident shareholders other than foreign companies and firms:

Particulars	Surcharge Rate	Effective TDS rate
Dividend Income not exceeding INR 50,00,000	Nil	20.80%
Dividend Income exceeds INR 50,00,000 but does not exceed INR 1,00,00,000	10%	22.88%
Dividend Income exceeding INR 1,00,00,000	15%	23.92%

For non-resident shareholders being foreign companies:

Particulars	Surcharge Rate	Effective TDS rate
Dividend Income not exceeding INR 1,00,00,000	Nil	20.80%
Dividend Income exceeds INR 1,00,00,000 but does not exceed INR 10,00,00,000	2%	21.216%
Dividend Income exceeding INR 10,00,00,000	5%	21.84%

For non-resident shareholders being a firm:

Particulars	Surcharge Rate	Effective TDS rate
Dividend Income not exceeding INR 1,00,00,000	Nil	20.80%
Dividend Income exceeding INR 1,00,00,000	12%	23.296%

In respect of non-resident shareholders (including foreign companies and firms), the TDS rates mentioned above will be further subject to any benefits available under the Double Taxation Avoidance Agreement (DTAA) read with Multilateral Instrument (MLI) provisions, if any, between India and the country in which the non-resident shareholder is considered as resident in terms of such DTAA read with MLI.

In order to claim the benefit under DTAA, the non-resident shareholders would be required to submit the following documents each financial year on or before the record date fixed for determining the shareholders who are eligible to receive the dividend, if so approved at the respective AGMs:

- Tax Residency Certificate (TRC) issued by the Tax/Government authority of the country in which the non-resident shareholder is a resident (valid for the relevant financial year);
- Form 10F containing therein information to be provided under Section 90(5)/90A(5) of the I-T Act, if not so covered in TRC (valid for the relevant financial year);
- Declaration from non-resident shareholders stating the following (template available on the website of the Corporation):
    - That the shareholder did not at any time during the relevant year have a permanent establishment in India;
    - That the shareholder is the beneficial owner of the dividend;
    - That the construct and affairs of the shareholder is not arranged with the main or principal purpose of obtaining any tax benefits, directly or indirectly, under the Tax Treaty; and
    - That the arrangement of the shareholder is not covered under impermissible avoidance arrangement.
- PAN – In absence of PAN, TDS rate of 20% plus applicable surcharge and health and education cess of 4% will apply.

Please note that the Corporation in its sole and absolute discretion reserves the right to call for any further information and/or to apply rate of TDS as per the I-T Act.

(iii) Non-resident institutional shareholders (FPI/FII)

In case of FPI/FII shareholders, Section 196D of the I-T Act provides mandate for withholding tax at the rate of 20% plus applicable surcharge and health and education cess of 4% on dividend income making effective rate of TDS as under:

For FPI/FII shareholders other than being a company or a firm:

Particulars	Surcharge Rate	Effective TDS rate
Dividend Income not exceeding INR 50,00,000	Nil	20.80%
Dividend Income exceeds INR 50,00,000 but does not exceed INR 1,00,00,000	10%	22.88%
Dividend Income exceeds INR 1,00,00,000 but does not exceed INR 2,00,00,000	15%	23.92%
Dividend Income exceeds INR 2,00,00,000 but does not exceed INR 5,00,00,000	25%	26.00%
Dividend Income exceeding INR 5,00,00,000	37%	28.50%

For FPI/FII shareholders being a company:

Particulars	Surcharge Rate	Effective TDS rate
Dividend Income not exceeding INR 1,00,00,000	Nil	20.80%
Dividend Income exceeds INR 1,00,00,000 but does not exceed INR 10,00,00,000	2%	21.216%
Dividend Income exceeding INR 10,00,00,000	5%	21.84%

For FPI/FII shareholders being a firm:

Particulars	Surcharge Rate	Effective TDS rate
Dividend Income not exceeding INR 1,00,00,000	Nil	20.80%
Dividend Income exceeding INR 1,00,00,000	12%	23.296%

For the purpose of withholding tax, it may not be possible to consider applicable DTAA benefits, if any, in case of FPI/FII shareholders since the provisions of Section 196D of the I-T Act do not provide so.

Listing on Stock Exchanges

Equity Shares

The International Securities Identification Number (ISIN) in respect of the equity shares of the Corporation is INE001A01036. The said equity shares are listed on the following stock exchanges:

BSE Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001. Tel. Nos.: +91 22-2272 1233/34 E-mail : *is@bseindia.com* Website : *www.bseindia.com*	**National Stock Exchange of India Limited (NSE)** Exchange Plaza, Plot No. C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai 400 051. Tel. Nos.: +91 22-2659 8100-114 E-mail : *nseiscmum@nse.co.in* Website : *www.nseindia.com*

Stock Exchange Codes	Reuters Codes	Bloomberg Codes
BSE – 500010	BSE - HDFC.BO	HDFC:IN
NSE - HDFC EQ	NSE - HDFC.NS	HDFC:IS

Outstanding GDRs/ADRs/Warrants or any other Convertible Instruments

The Corporation has not issued any such securities that were outstanding for conversion as on March 31, 2020.

Debt Securities

The secured redeemable non-convertible debentures and unsecured redeemable non-convertible debentures issued by the Corporation are listed for trading on the wholesale debt market segments of BSE and NSE.

Commercial Papers

The Commercial Papers issued by the Corporation and outstanding as on March 31, 2020 are listed for trading on the wholesale debt market segments of BSE and/or NSE.

Rupee Denominated Bonds

Rupee Denominated Bonds issued by the Corporation to overseas investors are listed on London Stock Exchange (LSE) 10, Paternoster Square, London, EC4M 7LS, UK and its International Securities Market.

Credit Rating

The information on the credit ratings assigned by the Credit Rating Agencies for the debt instruments issued, bank facilities and deposits taken by the Corporation is provided in the notes forming part of the financial statements of the Corporation for the year ended March 31, 2020 and on the website of the Corporation.

Listing Fees

The listing fees have been paid to BSE and NSE for the financial year 2020-21. The requisite fees have also been paid to LSE.

Investor Services Department (ISD)

The Corporation is registered with the Securities and Exchange Board of India (SEBI) as an in-house Share Transfer Agent – Category II and has connectivity with both the depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The ISD is a part of the Secretarial Department of the Corporation.

The ISD offers various services to the shareholders and debenture holders of the Corporation including services pertaining to transmission, transposition, dematerialisation and re-materialisation of shares, payment of dividend/interest, servicing of unclaimed dividend, issue of duplicate, replaced, consolidated and split share certificates, change of name, address and bank account details, registration of nomination and other related services. The ISD also undertakes various non-mandatory periodic initiatives relating to reduction in quantum of unclaimed dividend, updation of bank account details and PAN, registration of nomination, etc.

Shareholders holding shares in physical form are requested to contact the ISD for any of the aforesaid services at:

5th Floor, Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020.

Tel. No. : +91 22-6141 3900, E-mail: *investorcare@hdfc.com*

However, those holding shares in electronic form are required to directly contact their DP for any of the aforesaid services, excluding services relating to unclaimed dividend.

Share Transfer System

Members holding shares in physical form are requested to note that in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), since April 1, 2019, transfer of securities is not permitted to be processed unless the securities are held in the electronic form. However, transfer deed(s) lodged on or before March 31, 2019 and returned due to deficiency in the document(s) may be re-lodged for transfer.

The said restriction does not apply to transmission or transposition of securities. While SEBI has clarified that the Members are not prohibited from holding the shares in physical form, shareholders holding shares in physical form are requested to consider dematerialisation of their shares.

Service Standards

The ISD has been entrusted with the responsibility of ensuring that the investors of the Corporation are serviced professionally, promptly and with good care. Listed below are the service standards adopted by the Corporation in respect of various services being rendered by the ISD:

Nature of Service	No. of Working Days*
Transposition of names	3
Change of address/NACH/bank details	3
Registration of Nomination	3
Issue of duplicate/revalidation of dividend warrant(s)	5
Split/Replacement/Consolidation of share certificate(s)	5
Re-materialisation of shares	5
Transmission of shares/Deletion of name	7
Release of unclaimed shares/Processing of claims – IEPF	7
Dematerialisation of shares	10
Issue of duplicate share certificate(s)	15

** Subject to receipt of valid documents, its verification and receipt of requisite approvals. The above-mentioned services are dependent upon receipt and verification of physical documents and accordingly, these services were suspended during the period of lockdown on account of COVID-19 pandemic. However, these services were rendered within the extended regulatory/statutory deadlines.*

The adherence to the said service standards is regularly reviewed by the company secretary and a report is provided to the Members of Stakeholders Relationship Committee on a quarterly basis.

Investors' Grievances

The Corporation is committed to providing effective and prompt service to its investors.

The Corporation has identified senior personnel who are responsible for ensuring efficient and effective redressal of requests/complaints within the service standards adopted by the Corporation. Investors can also escalate their grievance in the manner as made available on the website of the Corporation.

The details of investor complaints received and redressed by the Corporation during the last three financial years are as under:

Received from	No. of complaints received		
	2017-18	2018-19	2019-20
Stock Exchanges and SEBI including SCORES	6	10	4
NHB, MCA and others	-	-	-
Directly received from investors	-	2	-
Total No. of complaints received	**6**	**12**	**4**
Total No. of complaints redressed	**6**	**12**	**4**
No. of complaints pending	-	-	-

The Corporation has established an accessible and responsive means for its investors to raise concerns through *investorcare@hdfc.com,* which is monitored by the company secretary.

Unclaimed Dividend

During the year, the Corporation undertook the following initiatives to reduce the quantum of unclaimed dividends:

- annual reminders were sent to the concerned shareholders to claim dividend; and
- directly credited the unclaimed dividend to the shareholders' accounts, who had updated their bank details with the Corporation/depositories.

Despite the above initiatives, unclaimed dividend amounting to ₹ 2,05,13,823 in respect of the financial year 2011-12 was transferred to the Investor Education and Protection Fund (IEPF) on September 5, 2019, in compliance with the provisions of Section 125 of the Companies Act, 2013. Further, unclaimed dividend in respect of the financial year 2012-13 is due for transfer on August 19, 2020. Concerned shareholders are requested to claim their dividend at the earliest but before the last date as mentioned herein below.

The details of the unclaimed dividends as on March 31, 2020 and the last date for claiming the same from the Corporation, prior to its transfer to the IEPF, are as under:

Financial Year	No. of members who have not claimed their dividend	Unclaimed dividend as on March 31, 2020 (₹)	Unclaimed dividend as % to total dividend	Date of declaration	Last date for claiming the dividend from the Corporation prior to its transfer to IEPF
2012-13	3,062	2,36,79,241	0.12	July 19, 2013	August 19, 2020
2013-14	3,006	2,85,27,086	0.13	July 21, 2014	August 20, 2021
Interim Dividend 2014-15	4,595	49,24,846	0.16	March 19, 2015	April 20, 2022
Final Dividend 2014-15	3,517	2,70,22,008	0.13	July 28, 2015	August 26, 2022
Interim Dividend 2015-16	5,182	81,38,580	0.17	March 21, 2016	April 19, 2023
Final Dividend 2015-16	4,261	3,50,87,360	0.16	July 27, 2016	August 25, 2023
Interim Dividend 2016-17	4,904	82,39,479	0.17	March 3, 2017	April 1, 2024
Final Dividend 2016-17	4,232	3,91,41,285	0.16	July 26, 2017	August 24, 2024
Interim Dividend 2017-18	4,599	63,84,753	0.11	March 16, 2018	April 16, 2025
Final Dividend 2017-18	3,639	2,75,10,665	0.10	July 30, 2018	August 28, 2025
Interim Dividend 2018-19	4,288	67,36,496	0.11	March 6, 2019	April 6, 2026
Final Dividend 2018-19	3,741	3,05,68,510	0.10	August 2, 2019	August 31, 2026

The details of the unclaimed dividend are available on the Corporation's website.

Unclaimed Shares

As per Listing Regulations

Regulation 39(4) of the Listing Regulations *inter alia* requires every listed company to comply with certain procedures in respect of shares issued by it in physical form pursuant to a public issue or any other issue and which remained unclaimed for any reason whatsoever.

Summary of the claims received/processed by the Corporation in respect of unclaimed shares under the Listing Regulations during the financial year 2019-20 and its status as at March 31, 2020, is detailed as under:

Particulars	No. of shareholders	No. of equity shares of ₹ 2 each
Aggregate number of shareholders and the outstanding equity shares lying in the Unclaimed Suspense Account as at April 1, 2019.	12	12,900
Number of shareholders who approached the Corporation for transfer of equity shares from the said Unclaimed Suspense Account during the year ended March 31, 2020.	-	-
Number of shareholders to whom equity shares were transferred from the Unclaimed Suspense Account during the year ended March 31, 2020.	-	-
Aggregate number of equity shares that were transferred in favour of the IEPF Authority during the year ended March 31, 2020.	10	9,900
Aggregate number of shareholders and the outstanding equity shares lying in the Unclaimed Suspense Account as at March 31, 2020.	2	3,000

The concerned shareholder(s) are requested to write to the ISD to claim the said equity shares. On receipt of such claim, the Corporation may call for additional documents. The Corporation on receipt of such additional documents and its verification may either transfer the shares lying in the Unclaimed Suspense Account to the depository account provided by the concerned shareholder(s) or deliver the physical share certificate to his/her registered address.

As per Companies Act, 2013

As per Section 124 of the Companies Act, 2013 and the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (IEPF Rules), all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more are required to be transferred by the company to IEPF.

In compliance with the IEPF Rules, in September, 2019, the Corporation transferred 77,370 equity shares of ₹ 2 each corresponding to the unclaimed dividend for the financial year 2011-12 to IEPF. Prior to the said transfer, the Corporation had sent reminders to the concerned shareholders and published notices in widely circulated English and Marathi newspapers requesting them to claim the dividend(s) prior to transfer of corresponding shares to IEPF.

The status of shares transferred to IEPF Authority as on March 31, 2020, is detailed as under:

Particulars	No. of shares
Balance as at April 1, 2019	14,83,758
Transferred during financial year 2019-20	77,370
Claims processed by IEPF Authority during the financial year 2019-20	74,300
Balance as at March 31, 2020	14,86,828

The details of said shares are available on the Corporation's website.

Shareholder whose dividend/shares have been transferred to IEPF can claim the dividend and/or shares after following the procedure prescribed by the Ministry of Corporate Affairs, Government of India which is available on the website of IEPF, *www.iepf.gov.in* and on the Corporation's website.

The Corporation on receipt of the complete set of documents shall submit its E-verification report to the IEPF Authority within the statutory timeline prescribed under the IEPF Rules. Upon submission of the E-verification report by the Corporation, the corresponding action shall solely be at the discretion of the IEPF Authority.

For more details, the concerned shareholders are requested to refer to the 'Refund' section of *www.iepf.gov.in* or contact the nodal officer/deputy nodal officers of the Corporation, details of whom are available at *https://www.hdfc.com/investor-services#dividend.*

Updation of Bank Account details

In view of the COVID-19 pandemic, the resultant lockdown of postal services and in line with the relaxations granted by SEBI and MCA, the Corporation would be able to dispatch the dividend warrant/demand draft only upon normalization of postal services and accordingly, the Members are requested to update their bank account details with the Corporation (in respect of shares held in physical form) or with their respective DP (in respect of shares held in electronic form) on or before Saturday, July 11, 2020, so that the dividends paid by the Corporation get directly credited in their bank account.

Nomination Facility

Section 72 of the Companies Act, 2013 provides that every holder of securities of a company may, at any time, nominate, in the prescribed manner, any person to whom his/her securities shall vest in the event of his/her death. Where the securities are held by more than one person jointly, the joint holders may together nominate any person to whom all the rights in the securities shall vest in the event of death of all the joint holders.

In view of the aforesaid, shareholders especially those holding shares in single name are advised to nominate any person by submitting the nomination form (Form SH-13) to the ISD. Shareholders can download the said form from the 'Investors' section on the website of the Corporation. Shareholders holding shares in electronic form are requested to contact their DP.

Nomination stands automatically rescinded on transfer/dematerialisation of the shares.

Voting Rights

The fundamental voting principle is 'One Share-One Vote'.

Equity shares issued by the Corporation carry equal voting rights, with an exception, where voting rights in respect of the shares, if any, lying in the Unclaimed Suspense Account/transferred to IEPF shall remain frozen till the rightful owner claims such shares and is transferred as such.

Rights and Obligations of shareholders

The Corporation has always accorded great importance towards shareholder engagement.

The Corporation has consistently ensured that shareholders are empowered to honour their statutory rights. A synopsis of some of the rights and obligations of the shareholders is made available on the Corporation's website.

Frequently Asked Questions

For ready reference of the shareholders of the Corporation, responses to frequently asked questions on various investor related services are made available on the website of the Corporation.

Control of the Corporation

The Corporation is neither owned nor controlled, directly or indirectly, by any person, entity or government and does not owe allegiance to any promoter or promoter group. To the best of its knowledge and belief, the Corporation does not have any arrangement, the operation or consequence of which might directly or indirectly result in a change in its ownership, control or management. The Corporation also does not have any significant beneficial owner.

Dematerialisation of Shares and Liquidity as at March 31, 2020

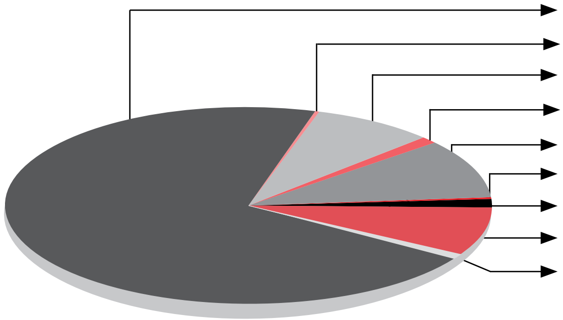
	No. of shareholders	% to total no. of shareholders	No. of shares of ₹ 2 each	% to Capital
Held in electronic mode				
a. NSDL	2,66,591	56.12	169,76,73,183	98.02
b. CDSL	2,04,075	42.95	2,77,66,616	1.60
Sub Total (a+b)	**4,70,666**	**99.07**	**172,54,39,799**	**99.62**
Held in physical mode	4,440	0.93	66,11,390	0.38
Total	**4,75,106**	**100**	**173,20,51,189**	**100**

The shares of the Corporation are widely traded on the stock exchanges.

Distribution of Shareholding as at March 31, 2020

No. of shares held	No. of shares	% to Capital	No. of shareholders	% to total no. of shareholders
1	76,915	0.00	76,915	16.19
2 – 10	9,03,433	0.05	1,54,088	32.43
11 – 100	62,48,838	0.36	1,55,796	32.79
101 – 200	33,31,723	0.19	21,889	4.61
201 – 500	79,44,022	0.46	22,360	4.71
501 - 1,000	1,32,88,576	0.77	15,879	3.34
1,001 - 5,000	5,04,13,339	2.91	22,956	4.83
5,001 - 10,000	1,44,99,511	0.85	2,062	0.44
10,001 - 50,000	3,71,35,677	2.14	1,636	0.34
50,001 - 1,00,000	2,68,41,179	1.55	376	0.08
1,00,001 and above	157,13,67,976	90.72	1,149	0.24
Total	**173,20,51,189**	**100**	**4,75,106**	**100**

Shareholding Pattern as at March 31, 2020



Category	% of total Capital
Foreign Portfolio Investors (FPIs)	70.88
Foreign Direct Investment	0.03
Insurance Companies	8.06
Bodies Corporate	1.32
Mutual Funds	9.52
Financial Institutions/Banks	0.06
Non-resident Indians (NRIs)/Foreign Nationals	0.28
Resident Individuals	8.55
Others	1.30
Total	100.00

Details of shareholding based on category of investors and shareholding pattern as at March 31, 2020 are provided in Form No. MGT-9 (Extract of Annual Return), which is annexed to the Directors' Report.

Major Shareholders

Details of shareholders holding 1% or more of the total issued and paid-up share capital of the Corporation as at March 31, 2020 are given below:

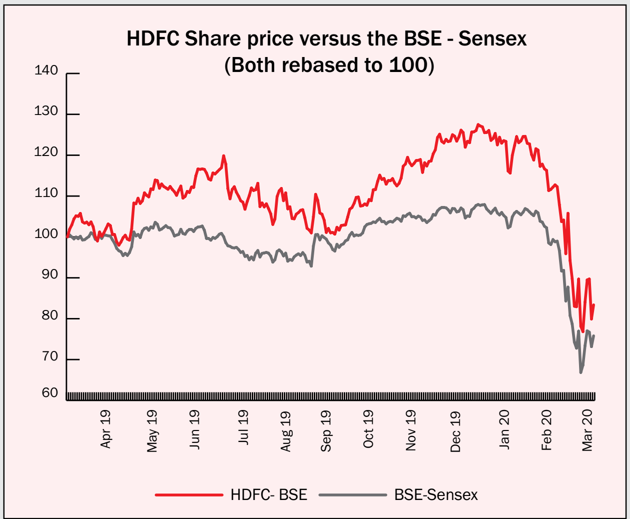
Sr. No.	Name of the shareholder	No. of shares	% to Capital
1	Life Insurance Corporation of India	8,09,15,574	4.67
2	Invesco Oppenheimer Developing Markets Fund (formerly 'Oppenheimer Developing Markets Fund')	5,76,03,762	3.33
3	Government of Singapore	5,58,83,616	3.23
4	SBI-ETF Nifty 50	4,41,59,115	2.55
5	Vanguard Total International Stock Index Fund	3,01,70,722	1.74
6	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	2,53,87,780	1.47
7	ICICI Prudential Life Insurance Company Limited	2,08,32,314	1.20
8	Government Pension Fund Global – Norway	1,93,01,652	1.11
9	Europacific Growth Fund	1,89,26,695	1.09
10	Stichting Depositary APG Emerging Markets Equity Pool	1,85,17,062	1.07
11	HDFC Trustee Company Limited - A/C HDFC Hybrid Equity Fund	1,78,77,559	1.03
12	UTI - Nifty Exchange Traded Fund	1,75,88,944	1.02
13	People's Bank of China	1,74,92,909	1.01
	Total	**42,46,57,704**	**24.52**

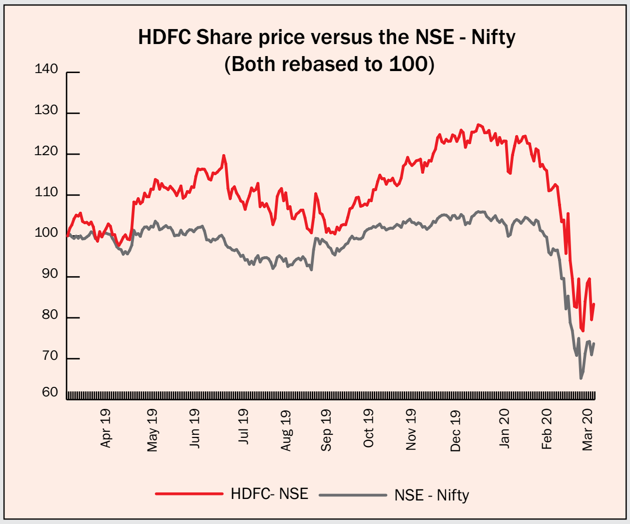
Stock Market Price Data

The monthly high and low price and the volume of shares traded on BSE and NSE during the financial year 2019-20 are as under:

Month	BSE			NSE		
	High (₹)	Low (₹)	No. of shares traded	High (₹)	Low (₹)	No. of shares traded
April-19	2,070.60	1,930.00	17,73,476	2,073.00	1,929.60	5,52,53,410
May-19	2,209.00	1,901.15	22,51,337	2,210.00	1,901.30	8,14,40,629
June-19	2,234.00	2,134.00	10,76,041	2,235.00	2,133.50	5,50,98,746
July-19	2,357.00	2,109.50	30,45,155	2,357.85	2,107.70	5,89,53,623
August-19	2,239.85	1,972.35	31,24,336	2,240.00	1,973.00	8,48,52,098
September-19	2,194.75	1,960.40	42,55,799	2,194.80	1,960.00	10,61,87,104
October-19	2,174.00	1,951.10	43,65,568	2,174.20	1,951.25	7,29,72,134
November-19	2,352.80	2,120.10	28,33,286	2,352.00	2,120.10	7,61,79,009
December-19	2,459.00	2,247.00	31,18,569	2,459.30	2,246.45	6,70,05,468
January-20	2,499.65	2,371.65	30,99,211	2,499.90	2,371.40	6,03,88,269
February-20	2,486.90	2,164.25	26,92,760	2,487.00	2,162.30	6,90,99,582
March-20	2,248.80	1,473.10	82,74,042	2,248.35	1,473.45	17,51,55,568

Source: www.bseindia.com and www.nseindia.com.





Web links

As required under the various provisions of the Companies Act, 2013, Housing Finance Companies-Corporate Governance (NHB) Directions, 2016, Listing Regulations and other applicable laws and for availability of information for the stakeholders, the web link of the important documents placed on the website of the Corporation is provided below:

Sr. No.	Details of document	Web links
1.	Code of Conduct for Non-Executive Directors	https://www.hdfc.com/allpolicies/Code-of-Conduct-for-NED.pdf
2.	Code of Conduct for Executive Directors and Senior Management	https://www.hdfc.com/allpolicies/Code-of-Conduct-for-ED-and-SM.pdf
3.	Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information	https://www.hdfc.com/allpolicies/Code_of_practices_and_procedures_fair_disclosure.pdf
4.	Corporate Social Responsibility Policy	https://www.hdfc.com/allpolicies/CSRPolicy.pdf
5.	Whistle Blower Policy	https://www.hdfc.com/allpolicies/whistle-blower-policy-041119.pdf
6.	Policy on Material Subsidiary Companies	https://www.hdfc.com/allpolicies/Policy_Material_Subsidiaries.pdf
7.	Policy on Related Party Transactions	https://www.hdfc.com/allpolicies/Revised_RPT_Policy.pdf
8.	Remuneration Policy for the Directors, Key Managerial Personnel, Senior Management and other employees	https://www.hdfc.com/allpolicies/Policy_on_Remuneration_July_2018.pdf
9.	Policy on Determination of Materiality	https://www.hdfc.com/allpolicies/Policy_on_determination_of_materiality_Final.pdf
10.	Web Archival Policy	https://www.hdfc.com/allpolicies/Web-Archival-Policy.pdf
11.	Policy on Business Responsibility	https://www.hdfc.com/allpolicies/BR-Policy.pdf
12.	Dividend Distribution Policy	https://www.hdfc.com/allpolicies/Dividend%20Distribution%20Policy.pdf
13.	Policy on Management of Conflict of Interest	https://www.hdfc.com/allpolicies/Policy-on-Management-of-Conflict-of-Interest.pdf
14.	Policy on Health and Safety of Employees	https://www.hdfc.com/allpolicies/policy-on-health-and-safety-of-employees.pdf
15.	Board Diversity Policy	https://www.hdfc.com/allpolicies/Board_Diversity_Policy.pdf
16.	Policy on Succession Planning	https://www.hdfc.com/allpolicies/Policy_on_Succession_Planning.pdf
17.	Policy on Protection of Women against Sexual Harassment	https://www.hdfc.com/allpolicies/policy-on-protection-of-women-against-sexual-harassment.pdf
18.	Policy for Fit and Proper Criteria of Directors	https://www.hdfc.com/allpolicies/Policy_on_Fit_and_Proper_Criteria_HDFC.pdf
19.	Policy on Appointment of Directors and Members of Senior Management	https://www.hdfc.com/allpolicies/Policy_on_Appointment_of_Directors.pdf
20.	Disclosure under the SEBI (Share Based Employee Benefits) Regulations, 2014	https://www.hdfc.com/investor-relations#annual-reports

Sr. No.	Details of document	Web links
21.	Board Familiarisation Programme	https://www.hdfc.com/allpolicies/Board-Familiarisation-Programme.pdf
22.	Board Familiarisation Update	https://www.hdfc.com/allpolicies/BoardFamiliarisationUpdate April2020.pdf
23.	Letter of Appointment to Independent Directors	https://www.hdfc.com/allpolicies/Letter-of-Appointment-to-Independent-Directors_0.pdf
24.	Internal Guidelines on Corporate Governance	https://www.hdfc.com/allpolicies/Internal-Guidelines-on-Corporate-Governance.pdf
25.	Business Responsibility Report 2019-20	https://www.hdfc.com/investor-relations#annual-reports
26.	Integrated Report	https://www.hdfc.com/investor-relations#annual-reports
27.	Memorandum and Articles of Association	https://www.hdfc.com/sites/default/files/memorandum-and-article-of-association.pdf
28.	Composition and terms of reference of key committees	https://www.hdfc.com/investor-services#board-committees
29.	Various disclosures made to stock exchanges under the Listing Regulations	https://www.hdfc.com/investor-services#disclosures
30.	Credit ratings for the debt instruments issued, bank facilities and deposits	https://www.hdfc.com/investor-services#credit-ratings

Policy on Related Party Transactions

1. Scope and Purpose

The Companies Act, 2013 (the Act), the rules framed thereunder as well as Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), contain detailed provisions relating to Related Party Transactions.

This Policy on Related Party Transactions (**Policy**) has been framed as per the requirements of the Regulation 23 of Listing Regulations and is intended to ensure proper approval and reporting of the concerned transactions between the Corporation and its Related Parties.

Pursuant to changes in the applicable law, this Policy was amended by the Board of Directors of the Corporation at its meetings held on January 27, 2016 and July 30, 2018.

Thereafter pursuant to amendment in Companies (Meetings of Board and its Powers) Second Amendment Rules, 2019, this Policy has once again been amended by the Board of Directors of the Corporation at its meeting held on March 13, 2020. This Policy shall be effective from April 1, 2020.

2. Interpretations

All words and expressions used herein, unless defined herein, shall have the same meaning as respectively assigned to them, in the Applicable Law under reference.

'Applicable Law' includes (a) the Companies Act, 2013 and rules made thereunder as amended from time to time; (b) the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; (c) Indian Accounting Standards; and (d) any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

3. Terms of the Policy

All Related Party Transactions will be subject to following approval matrix, as may be applicable:

Provisions	Ceiling on the Amount	Approval Required		
		Audit and Governance Committee	Board of Directors	Shareholders (Ordinary Resolution)
Transactions in the *ordinary course of business* and on *arm's length basis*	*up to* ***10% of the*** annual consolidated turnover of the Corporation	√	-	-
	In excess of above limits	√	√	√ *(All related parties to abstain from voting.)*
Transactions either not in the *ordinary course of business* or *arm's length basis*				
Sale, purchase or supply of any goods or materials, directly or through appointment of agent.		√	√	√* 10% or more of the turnover
Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent.		√	√	√* 10% or more of the net worth
Leasing of property of any kind.		√	√	√* 10% or more of the turnover
Availing or rendering of any services, directly or through appointment of agent.		√	√	√* 10% or more of the turnover
Appointment of any related party to any office or place of profit in the Corporation, its subsidiary company or associate company.		√	√	√* Monthly remuneration exceeding two and half lakh rupees
Underwriting the subscription of any securities or derivatives thereof, of the Corporation.		√	√	√* Remuneration exceeding 1% of net worth
* **Note:** *In case of shareholders' approval related parties that are parties to the contract/arrangement or transaction shall abstain from voting.*				
Any other transaction with related parties, other than those covered above, resulting in transfer of resources, obligations or services.		√	√ For Transactions that are not on arm's length basis.	√ Exceeding 10% of the annual consolidated turnover of the Corporation *Note: All related parties to abstain from voting.*

4. **Identification of Related Parties and Related Party Transactions**

The Compliance Officer shall:

a. Identify and keep on record the Corporation's related parties, along with their personal/company details.

b. Update the record of related parties whenever necessary and shall be reviewed at least once a quarter.

c. Furnish on a monthly basis to the concerned departments viz. Treasury, Accounts, Operations, Resources and Facilities Management at Corporate Office and branches, who are responsible for entering into contracts/arrangements/agreements with entities for and on behalf of the Corporation, and circulate the list of Related Parties to all such employees of the Corporation along with the approval thresholds for entering into transactions with such enlisted Related Parties.

d. Ensure that the members of senior management furnish a certificate to the Board of Directors annually relating to all material, financial and commercial transactions with related parties, where they have personal interest that may have a potential conflict with the interest of the listed entity at large.

5. **Ascertaining whether Related Party Transactions are in the Ordinary Course of Business**

i. Although the term "Arm's Length Basis" has been defined under Section 188 of the Act, what transactions would be considered to be in the "ordinary course of business" has not been specified under the Companies Act, 2013. In the case of Seksaria Biswan Sugar Factory Ltd. *v.* Commissioner of Income Tax, Bombay, the Bombay High Court, in relation to what constitutes 'ordinary course of business', observed that "it must be found as to whether the particular act has any connection with the normal business that the company is carrying on and whether it is so related to the business of the company that it can be considered to be performed in the ordinary course of the business of that company."

A. Therefore, in order to determine whether a transaction is within the ordinary course of business or not, some of the principles that may be adopted to assess are as follows:

a) whether the transaction is in line with the usual transactions, customs and practices undertaken by the company to conduct its business operations and activities;

b) whether it is permitted by the Memorandum and Articles of Association of the company; and

c) whether the transaction is such that it is required to be undertaken in order to conduct the routine or usual transactions of a company.

B. Any of the following conditions are met:

a) the transaction, including, but not limited to sale or purchase of goods or property, or acquiring or providing of services, conveying or accepting leases, transfer of any resources, hiring of any executives or other staff, providing or availing of any guarantees or collaterals, or receiving or providing any financial assistance, or issue, transfer, acquisition of any securities, is in the normal routine of the Corporation's business; or

b) the transaction is in the nature of reimbursements, received or provided, from or to any related party, whether with or without any mark-up towards overheads, and is considered to be congenial for collective procurement or use of any facilities, resources, assets or services and subsequent allocation of the costs or revenues thereof to such related party in an appropriate manner; and

C. The transaction is not

a) an exceptional or extra ordinary activity as per applicable accounting standards or financial reporting requirements;

b) any sale or disposal of any undertaking of the Corporation, as defined in explanation to clause (a) of sub-section (1) of Section 180 of the Act.

ii. The Corporation may also consider whether the transaction contemplated under the proposed contract or arrangement is either similar to contracts or arrangements which have been undertaken in the past, or in the event that such transaction is being undertaken for the first time, whether the Corporation intends to carry out similar transactions in the future.

iii. Further, whether the transaction value is within the reasonable range for similar types of other transactions, will also be an important consideration. An exceptionally large value transaction should invite closer scrutiny.

6. **Ascertaining whether Related Party Transactions are on an Arm's Length Basis**

i. The following illustrative tests may be used by the Audit and Governance Committee for ascertaining arm's length nature of contracts/ arrangements that may be entered into by the Corporation with related parties, or any modification, variation, extension or termination thereof:

a. The contracts/arrangements are entered into with Related Parties, are at such prices/discounts/premiums and on such terms which are offered to unrelated parties of similar category/profile.

b. The contracts/arrangements have been commercially negotiated.

c. The pricing is arrived at as per the rule/guidelines that may be issued by or acceptable for the purpose of National Housing Bank, Ministry of Corporate Affairs, Government of India, Income Tax Act, 1961, Securities and Exchange Board of India and/or such other statutory or regulatory bodies as applicable to any of the contract/arrangements contemplated under the Act, Rules framed thereunder or Listing Regulations.

d. The terms of contract/arrangement other than pricing are generally on a basis similar to those as may be applicable for similar category of goods and services or similar category/profile of counterparties.

e. Such other criteria as may be issued under Applicable Law.

ii. Further, in order to determine the optimum arm's length price, the Corporation may also apply the most appropriate method from any of the following methods as prescribed under Section 92C(1) of the Income Tax Act, 1961 read with Rule 10 B of the Income Tax Rules, 1962 –

a. Comparable Uncontrolled Price Method (CUP method)

b. Resale Price Method

c. Cost Plus Method

d. Profit Split Method

e. Transactional Net Margin Method

f. Other Method as prescribed by the Central Board of Direct Taxes

iii. The Audit and Governance Committee shall be entitled to rely on professional opinion or representation from the counter party in this regard.

iv. The Audit and Governance Committee may refer the Pricing Policy of the Corporation for determining the arms' length pricing for transactions entered into/to be entered into with the related parties. This Policy shall be updated annually or as may be deemed necessary by the Board of Directors/Audit and Governance Committee of Directors of the Corporation.

v. Notwithstanding the above, whether a particular transaction is on arm's length basis or not, is a decision to be taken by the Board of Directors and the Audit and Governance Committee of Directors of the Corporation. Once the Board of Directors on the recommendation of Audit and Governance Committee, determines that the relevant transaction has taken place on an arm's length basis, so long as they have reasonable basis for the same, their decision shall be final.

7. Procedure for approval and review of Related Party Transactions

(i) Subject to the threshold limits specified below, all Related Party Transactions or changes therein must be referred for prior approval by the Audit and Governance Committee in accordance with this Policy.

(ii) The threshold limits for approvals will be as follows:

a. The transactions, for which omnibus approval of the Audit and Governance Committee has already been sought, will not require prior approval of the Audit and Governance Committee for each transaction entered into, pursuant to the same.

b. Transactions above the value of Rs.1 crore per transaction may be granted omnibus approval by Audit and Governance Committee subject to criteria specified under Clause 8 below. Such transactions shall be reported to the Audit and Governance Committee on a quarterly basis.

c. Where the need for related party transaction cannot be foreseen and the details thereof are not available, the Audit and Governance Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction. Such transactions shall also be reported to the Audit and Governance Committee on a quarterly basis.

d. Transactions other than those referred to in Section 188 of the Act between the Corporation and its wholly owned subsidiary companies would not require the omnibus approval of the Audit and Governance Committee. Such transactions shall be reported to the Audit and Governance Committee on a quarterly basis.

(iii) Related Party Transactions that are not in ordinary course of business but on arm's length basis may be approved by Audit and Governance Committee. Where such Related Party Transactions fall under Section 188 (1) of the Act, the Audit and Governance Committee shall recommend the transaction for approval of the Board.

(iv) Related Party Transactions that are not on arm's length basis, irrespective of whether those are covered under Section 188 of the Act or not, may be placed by the Audit and Governance Committee, along with its recommendations, to the Board for appropriate action.

(v) All relevant facts pertaining to a Related Party Transaction shall be placed with the Audit and Governance Committee, inclusively:

a. the name of the related party and nature of relationship;

b. the nature, duration of the contract and particulars of the contract or arrangement;

c. the material terms of the contract or arrangement including the value, if any;

d. any advance paid or received for the contract or arrangement, if any; and

e. any other information relevant or important for the Committee to take a decision on the proposed transaction.

(vi) Audit and Governance Committee shall be entitled to call for such information/documents in order to understand the scope of the proposed Related Party Transaction(s) and recommend an effective control system for the verification of the supporting documents.

(vii) In determining whether approval can be accorded to a Related Party Transaction, the Audit and Governance Committee shall consider the following factors:

a. whether the Related Party Transaction is in the ordinary course of business of the Corporation;

b. whether the terms of the Related Party Transaction is on arm's length basis;

c. whether there are any adequate reasons of business expediency for the Corporation to enter into the Related Party Transaction, after comparing alternatives available, if any;

d. whether the Related Party Transaction would affect the independence of any director/key managerial personnel;

e. whether the proposed Related Party Transaction includes any potential reputational/regulatory risks that may arise as a result of or in connection with the proposed transaction; and

f. whether the Related Party Transaction would present an improper conflict of interest for any director or key managerial personnel of the Corporation, taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of interest of the Related Party in the transaction and such other factors as the Audit and Governance Committee deems relevant.

(viii) If the Audit and Governance Committee determines that a Related Party Transaction should be brought before the Board of Directors, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

(ix) If the Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a resolution pursuant to Applicable Laws, the Board shall ensure that the same be put up for approval by the shareholders of the Corporation.

(x) Where, owing to exigencies, Related Party Transactions have been entered into without being placed for prior approval by the Audit and Governance Committee, reasoned explanation for the same must be received from the contracting employees to the satisfaction of the Audit and Governance Committee. The Audit and Governance Committee may ratify such transactions, or may put forth the transactions before the Board along with its recommendations and the Board may either ratify such transactions or seek to avoid the same.

(xi) If approval of the Board/shareholders, where applicable, for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Board/shareholders, if required, within 3 months of entering in the Related Party Transaction.

In any case where either the Board/shareholders determine not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the shareholders, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Board has authority to modify or waive any procedural requirements of this Policy.

(xii) No member of the Audit and Governance Committee/Board shall participate in the review or approval of any Related Party Transaction in which such member is interested, except that the director/key managerial personnel shall provide all material information concerning the Related Party Transaction to the Audit and Governance Committee/Board.

(xiii) Exceptions allowed under Applicable Laws for Related Party Transactions shall be exempted from the scope of this Policy unless the Audit and Governance Committee/Board decide otherwise.

(xiv) Nothing in this Policy shall override any provisions of Applicable Law made in respect of any matter stated in this Policy.

(xv) A certificate shall be obtained from the Statutory Auditors of the Corporation on a quarterly basis stating that the Related Party Transactions entered into by the Corporation during the previous quarter were in accordance with this Policy.

(xvi) The Audit and Governance Committee shall review all Related Party Transactions on a quarterly basis.

(xvii) In addition to the Audit and Governance Committee, all the Related Party Transactions shall also be reviewed by the Board of Directors of the Corporation on an annual basis.

8. Additional matters pertaining to Omnibus Approval

(i) In accordance with the Applicable Laws, the Audit and Governance Committee shall grant omnibus approval in line with this Policy and based on the following information:

a. the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;

b. the indicative base price or current contracted price and the formula for variation in the price, if any;

c. the maximum transaction values; and

d. such other conditions as the Audit and Governance Committee may deem fit.

(ii) Notwithstanding the generality of foregoing, Audit and Governance Committee shall not grant omnibus approval for following transactions:

a. Transactions which are not in ordinary course of business or not on an arm's length basis and covered under Section 188(1) of the Act;

b. Transactions in respect of selling or disposing of the undertaking of the Corporation;

c. Transactions which are not in the interest of the Corporation;

d. Such other transactions specified under Applicable Law from time to time.

(iii) Notwithstanding the generality of foregoing, the following transactions shall not be deemed Related Party Transactions for the purpose of this Policy and as such no omnibus approval is required to be granted for same:

a. Any transaction that involves providing of compensation to a director or key managerial personnel, in accordance with the provisions of the Act in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

b. Reimbursement made of expenses incurred by a Related Party for business purpose of the Company, or reimbursement received for expenses incurred by the Company on behalf of a Related Party.

c. Reimbursement of pre-incorporation expenses incurred by or on behalf of a Related Party.

d. Any transaction in which the Related Party's interest arises solely by way of ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party, or other pro rata interest of a Related Party included in a transaction involving generic interest of stakeholders involving one or more Related Parties as well as other parties.

e. Recurring/consequential transactions flowing out of a principal transaction or arrangement for which the Audit and Governance Committee has granted its omnibus approval.

f. Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder, and does not require prior approval by the Audit and Governance Committee.

9. Disclosures

As mandated under the Listing Regulations, the Corporation shall disclose this Policy on its website i.e. *www.hdfc.com* and in the Annual Report. Disclosures regarding related party transactions will be made in accordance with the Applicable Law.

10. Policy Review

This Policy may be amended, modified or supplemented to ensure compliance with any modification, amendment or supplementation to the Applicable Law once in three years or as may be otherwise prescribed by the Audit and Governance Committee/Board from time to time.

Dividend Distribution Policy

OBJECTIVE

The objective of this policy is to establish the principles and criteria to be considered by the Board of Directors prior to recommending dividend to the equity shareholders of Housing Development Finance Corporation Limited ("the Corporation").

The policy is framed under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Corporation has had a consistent dividend policy and has endeavoured to judiciously balance rewarding shareholders through dividends, whilst supporting future growth and long-term interests of the Corporation and its stakeholders.

PARAMETERS TO BE CONSIDERED BEFORE RECOMMENDING DIVIDEND

The Board of Directors shall *inter alia* consider the following parameters before recommending dividend:

Statutory and Regulatory Parameters

The Corporation shall declare dividend only after ensuring compliance with requisite regulations and directives as stipulated by the National Housing Bank, provisions of the Companies Act, 2013 and rules made thereunder, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended and any other regulations as may be applicable from time to time.

Financial Parameters

- Growth in the loan portfolio;
- Funding and liquidity considerations;
- Leverage ratios;
- Profits earned during the financial year;
- Accumulated reserves;
- Investment requirements for the Corporation in its subsidiaries and associate companies;
- Expected future capital/liquidity requirements;
- Compliance with covenants contained in any agreement entered into by the Corporation with its lenders/debenture trustees, if any;
- Other factors and/or material events which the Board may consider.

External Factors

- Shareholder expectations, including individual shareholders;
- Macro-economic conditions;
- Taxation provisions;
- Government policies.

As a general policy, in each financial year, the Corporation shall endeavour to payout a dividend in the range of 35% to 50% of the Corporation's annual net profit after tax. This, however, may not consider circumstances such as one-off exceptional income or unforeseen financial disruptions which could impact the profitability of the Corporation and would need conservation of capital. Any deviation shall be provided by way of a commentary or explanation in the Directors' Report section of the Annual Report of the relevant year.

CIRCUMSTANCES UNDER WHICH SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

The Board may not recommend any dividend if the eligibility criteria for recommendation of dividend has not been achieved by the Corporation, including any regulatory restriction placed on the Corporation on declaration of dividend or if the Board is of the opinion that it would be prudent to conserve capital for growth or other exigencies which shall be stated by the Board.

UTILISATION OF RETAINED EARNINGS

Retained earnings shall be utilised in accordance with prevailing regulatory requirements, creating reserves for specific objectives, fortifying the balance sheet against contingencies, generating higher returns for shareholders through reinvestment of profits for future growth and expansion and any other specific purpose as approved by the Board of Directors of the Corporation.

The Corporation shall endeavour to utilise retained earnings in a manner that shall be beneficial to both, the interests of the Corporation and its stakeholders.

DIVIDEND AND CLASSES OF SHARES

The Board may declare interim or recommend final and/or special dividend as may be permitted under the Companies Act, 2013 or any amendment, modification, variation or re-enactment thereof.

Currently, the Corporation does not have any other class of shares (including shares with differential voting rights) other than equity shares. In the absence of any other class of shares and/or shares with differential voting rights, the entire distributable profit for the purpose of declaration of dividend is considered for equity shareholders.

CONFLICT IN POLICY

In the event of a conflict between this policy and the extant regulations, the regulations shall prevail.

AMENDMENTS

To the extent any change/amendment is required in terms of applicable law or change in regulations, the regulations would prevail over the policy and the provisions in the policy would be suitably modified to make it consistent with the law. Such amended policy shall be placed before the Board for noting and necessary ratification.

REVIEW OF POLICY

The Board shall review the Dividend Distribution Policy of the Corporation periodically.

DISCLOSURE OF POLICY

The Dividend Distribution Policy shall be disclosed in the Annual Report of the Corporation and placed on the Corporation's website, *www.hdfc.com.*

FORM NO. MR-3

Secretarial Audit Report of HDFC ERGO General Insurance Company Limited

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2020

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members,

HDFC ERGO General Insurance Company Limited
CIN: U66030MH2007PLC177117

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **HDFC ERGO General Insurance Company Limited** (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **31st March, 2020** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2020 according to the provisions of:

i. The Companies Act, 2013 (the Act) and the Rules made thereunder;

ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment. The Company does not have any Overseas Direct Investment and External Commercial Borrowings during the financial year;

v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011#;

b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018#;

d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014#;

e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009#; and

h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018#;

The Regulations or Guidelines, as the case may be were not applicable for the period under review.

The list of Acts, Laws and Regulations specifically applicable to the Company are given below:

vi. The Insurance Act, 1938, as amended.

vii. The Insurance Regulatory and Development Authority Act, 1999, as amended and Regulations framed thereunder and as amended from time to time.

We have also examined compliance with the applicable clauses of the following:

i. Secretarial Standards issued by The Institute of Company Secretaries of India and

ii. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["Listing Regulations"].

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above, to the extent applicable.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice was given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent well in advance for meetings, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

During the period under review, decisions were carried through unanimously and no dissenting views were observed, while reviewing the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, the Company has undertaken following events / actions:

i. The Board of Directors of the Company at their meeting held on June 19, 2019 has approved the matters relating to Share purchase agreement by and amongst the Company, Housing Development Finance Corporation Limited (HDFC Limited), Apollo Munich Health Insurance Company Limited (AMHI), Apollo Hospitals Enterprise Limited, Apollo Energy Company Limited, Munich Health Holding AG and subscribers to the Memorandum of Association of AMHI in connection with the acquisition of upto 51.2% of issued and paid up share capital of AMHI by HDFC Limited and subsequent merger of AMHI with the Company, subject to receipt of regulatory approvals.

ii. The Board of Directors of the Company at its meeting held on January 15, 2020, has approved Scheme of Arrangement and Amalgamation for merger of HDFC ERGO Health Insurance Limited (formally known as Apollo Munich Health Insurance Company Limited) with the Company pursuant to Sections 230 to 232 of the Companies Act, 2013 and the rules framed thereunder. The Company Scheme Application has been filed by the Company with the Hon'ble National Company Law Tribunal, Mumbai Bench on February 17, 2020 for its approval.

For Bhandari & Associates
Company Secretaries
Sd/-
S. N. Bhandari
Partner

MUMBAI — FCS No: 761; C P No. : 366
MAY 8, 2020 — ICSI UDIN: F000761B000213930

This report is to be read with our letter of even date which is annexed as Annexure 'A' and forms an integral part of this report.

Annexure 'A'

To,
The Members,
HDFC ERGO General Insurance Company Limited
CIN: U66030MH2007PLC177117

Our Secretarial Audit Report for the Financial Year ended on March 31, 2020 of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the processes and practices we follow provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For Bhandari & Associates
Company Secretaries
Sd/-
S. N. Bhandari
Partner

MUMBAI — FCS No: 761; C P No. : 366
MAY 8, 2020 — ICSI UDIN: F000761B000213930

If you need any assistance, please walk in or call any of our offices to experience the warmth, courtesy and professionalism of HDFC.

REGISTERED OFFICE: Ramon House, Mumbai 400 020. Tel: 61766000, 61766100.

CORPORATE OFFICE: HDFC House, Mumbai 400 020. Tel: 66316000, 22820282.

BRANCH OFFICES:

AGARTALA Tel: 2328770/9. AGRA Tel: 4007130/32/64. AHMEDABAD (Navrangpura) Tel: 66307000. AHMEDABAD (Maninagar) Tel: 7227011281. AHMEDABAD (Nikol) Tel: 7227011287. AHMEDABAD (Science City) Tel: 7227011295 AHMEDABAD (Satellite) Tel: 7227011293. AHMEDNAGAR Tel: 6605222. AJMER Tel: 2641164. AKOLA Tel: 2403454. ALAPPUZHA Tel: 2269460/70. ALIGARH Tel: 2408541. ALLAHABAD Tel: 2260325. ALMORA Tel: 235556. ALWAR Tel: 2702739/40. AMBALA Tel: 2630880, 2601762. AMRAVATI Tel: 2666009/987. AMRITSAR Tel: 2500851, 5095458. ANAND Tel: 297552/3/4. ANGUL Tel: 7205000448. ANKLESHWAR Tel: 255771/2. ANANTAPUR Tel: 220044. AURANGABAD Tel: 2349300. BAHADURGARH. Tel: 297423. BARAMATI Tel: 220150/160. BARDOLI Tel : 223155. BAREILLY Tel: 2477496, 2451169. BEAWAR Tel: 251691. BELGAUM Tel: 2427091, 2427093. BENGALURU (Kasturba Road) Tel: 41183000. BENGALURU (Electronic City) Tel: 28523953. BENGALURU (Jayanagar) Tel: 26592838. BENGALURU (Kalyan Nagar) Tel: 42200034. BENGALURU (Kanakapura Road) Tel: 26861501. BENGALURU (Kengeri) Tel: 28485355. BENGALURU (Koramangala) Tel: 25501083. BENGALURU (K R Puram) Tel: 28510020 / 21. BENGALURU (Marathahalli) Tel: 25400232. BENGALURU (Rajajinagar) Tel: 23506416. BENGALURU (RMV 2nd STAGE) Tel: 23513810 / 1. BENGALURU (Sahakara Nagar) Tel: 48540161. BENGALURU (Sarjapur Road) Tel: 25746772. BENGALURU (Whitefield) Tel: 28451020. BENGALURU (Yelahanka) Tel: 28460911. BERHAMPUR Tel: 2220844. BHANIYAWALA Tel: 241 2223, 241 2233. BHARUCH Tel: 238444/555. BHATINDA Tel: 5012218/19. BHAVNAGAR Tel: 7227011299. BHILAI Tel: 4075203. BHIWADI Tel: 9982550744. BHILWARA Tel: 232902. BHOPAL (ISBT) Tel: 2780000. BHOPAL (Sonagiri) Tel: 4229990. BHOPAL (Kolar Road) Tel: 2422001/06. BHUBANESWAR Tel: 6633300. BHUBANESWAR (Patia) Tel: 7205000236. BIKANER Tel: 2206677. BILASPUR Tel: 432300. BULANDSHAHR Tel: 2255526. CALICUT Tel: 2367656/7. CHANDIGARH Tel: 6761000. CHANDIGARH (SEC 41) Tel: 4046287, 6761000. CHANDIGARH (Call Centre) Tel: 6761000. CHANDRAPUR Tel: 271563. CHENNAI (Anna Salai) Tel: 28599300, 23739400. CHENNAI (Adyar) Tel: 23452001/2/3. CHENNAI (Ambattur) Tel: 23452077/8/9. CHENNAI (Anna Nagar) Tel: 23451998/9. CHENNAI (Egmore) Tel: 23452070/1. CHENNAI (DLF) Tel: 49595216/7. CHENNAI (Kodambakkam) Tel: 24815656. CHENNAI (Madhvaram) Tel: 25557430/8430. CHENNAI (Maraimalai Nagar) Tel: 27456430. CHENNAI (Medavakkam) Tel : 22770401. CHENNAI (Tambaram) Tel: 23454006/7. CHENNAI (OMR) Tel: 23454003, 23454004. CHENNAI (Porur) Tel: 26793371/3281. CHENNAI (Ramanujan IT Park) Tel: 98401 44800, 98406 28884. CHENNAI (Vanagram) Tel : 26531150. CHENNAI (Velacherry) Tel: 22463711/3712. CHIPLUN Tel: 250032 / 35. COIMBATORE (Kamaraj Road) Tel: 4343900. COIMBATORE (Ganapathy) Tel.: 4200211/411. COIMBATORE (Sai Baba Colony) Tel: 4301100. COOCH BEHAR Tel: 222050/66. CUTTACK Tel: 7205002677/8/9. DAVANAGERE Tel: 222394 / 494. DEHRADUN (Rajpur Road) Tel: 6672222, 3052222. DEHRADUN (Vasant Vihar) Tel: 2769869. DEWAS Tel: 402600/02. DHANBAD Tel: 2300630/31. DHARMAPURI Tel: 2232324/325. DHULE Tel: 273500/600. DINDIGUL Tel: 2433040/1/2. DURGAPUR Tel: 2549776/8. ELURU Tel: 222400. ERODE Tel: 2240928/29. FAIZABAD Tel: 228180/228280. FARIDABAD Tel: 4315120. GANDHIDHAM Tel: 7227011272. GANDHINAGAR Tel: 7227011275. GHAZIABAD (Lohia Nagar) Tel: 2721593. GHAZIABAD (Vaishali) Tel: 4233253/54. GOA (Panaji) Tel: 2234172. GOA (Margao) Tel: 2700472/3. GODHRA Tel: 265043/63. GORAKHPUR Tel: 2200167. GREATER NOIDA (Pari Chowk) Tel: 4151092/93. GREATER NOIDA (West) Tel: 4230355/56. GULBARGA Tel: 241966/977. GUNTUR Tel: 6549890. GURGAON (Mehrauli - Gurgaon Road) Tel: 4061772/3. GURGAON (Sector 14) Tel: 4367801/2. GURGAON (Sector 66) Tel: 9319244113. GUWAHATI (Six Mile) Tel: 7101800. GUWAHATI (Chenikuthi) Tel: 2666490. GUWAHATI (Jorhat) Tel: 7578001700. GUWAHATI (Silchar) Tel: 221399. GWALIOR Tel: 4011970/1/3. HALDWANI Tel: 284956/57. HARIDWAR Tel: 265325. HARIDWAR (Jwalapur) Tel: 250001/2. HISSAR Tel: 233383. HOSUR Tel: 244888. HOWRAH Tel: 4006 5552 / 3. HUBLI Tel: 2352138. HYDERABAD (Basheer Bagh) Tel: 67699000, 66475011. HYDERABAD (Gachibowli) Tel: 23005100. HYDERABAD (Jubilee Hills) Tel: 23116000. HYDERABAD (Kompally) Tel: 27940900.

HYDERABAD (Kothapet) Tel: 24032500. HYDERABAD (Kukatpally) Tel: 48539200. HYDERABAD (Madhapur) Tel: 68138000. HYDERABAD (R C Puram) Tel: 40220900. HYDERABAD (Uppal) Tel: 40220700. INDORE (M G Road) Tel: 422 3300, 425 2400. INDORE (Prabhu Nagar)Tel: 4264300. INDORE (Vijay Nagar) Tel: 4756401. IRINJALAKUDA Tel: 2821589. JABALPUR Tel: 4092000/01. JAIPUR (Bhagwandas Road) Tel: 4140888. JAIPUR (Jagatpura) Tel: 2755778. JAIPUR (Mansarovar) Tel: 2780989. JAIPUR (Vaishali Nagar) Tel: 4919993/94/95. JAIPUR (Vidhyadhar Nagar) Tel: 2232432. JAJPUR ROAD Tel: 221163. JALANDHAR Tel: 5033445. JALGAON Tel: 2220762, 2232015. JAMMU Tel: 2477707/8. JAMNAGAR Tel: 7227011278. JAMSHEDPUR Tel: 2321493. JHANSI Tel: 2333844. JODHPUR Tel: 2644448. KADAPA Tel: 259500. KAITHAL Tel: 235603, 9717346907. KAKINADA Tel: 6568001. KANCHIPURAM Tel: 27267201/2/3. KANHANGAD Tel: 2200599/699. KANNUR Tel: 2765850/90. KANPUR Tel: 6680600. KANPUR (Ashok Nagar) Tel: 2556776. KARIMNAGAR Tel: 2228900. KARNAL Tel: 2266433/31. KASHIPUR Tel: 270333. KHAMGAON Tel: 255006/7. KHAMMAM Tel: 233000. KHANDWA Tel: 2248091 / 92. KHARAR Tel: 7580002220 / 7590002220. KOCHI (Ravipuram) Tel: 6661200. KOCHI (Aluva) Tel: 2609555/666. KOCHI (Kakkanad) Tel: 2415555. KOCHI (Kalamasserry) Tel: 2555070. KOCHI (Palarivattom) Tel: 2803043/83. KOCHI (Tripunithura) Tel: 2785492/3. KOLHAPUR Tel: 2664034/35. KOLKATA (Shakespeare Sarani) Tel: 23018300, 22801980, 22815491/94. KOLKATA (Jeevandeep) (Ops - Call Centre & CRM) Tel: 66556655/6633. KOLKATA (Behala) Tel: 24468392. KOLKATA (B T Road) Tel: 25574561/62. KOLKATA (Chandannagore) Tel: 26830058. KOLKATA (Cooke & Kelvey) Tel: 22481981, 66086200. KOLKATA (Deshapriya Park) Tel: 46033096. KOLKATA (Garia) Tel: 24351082/7011. KOLKATA (Salt Lake City) Tel: 46021501/2/3. KOLKATA (V I P Road) Tel.: 46022959/2960. KOLLAM Tel: 2762551/2. KOTA Tel: 2428922. KOTTARAKARA Tel: 2458600, 2459800. KOTTAYAM (Station Road) Tel: 2304985, 2566136. KUNNAMKULAM Tel: 227980/82. KURNOOL Tel: 259200. KURUKSHETRA Tel: 270386/7. LATUR Tel: 244222/333. LONAVLA (CHF) Tel: 273812, 273820, 275012. LUCKNOW (Ashok Marg) Tel: 6668800, 4272727. LUCKNOW (Aliganj) Tel: 2745249. LUCKNOW (Gomti Nagar) Tel: 2303770/1017. LUCKNOW (Raebareli Road) Tel: 2443535/3636, 9919438545. LUDHIANA (Pakhowal Road) Tel: 5201300. LUDHIANA (Chandigarh Road) Tel: 5207032. MADURAI (KK Nagar) Tel: 2559000. MADURAI (West Veli Street) Tel: 2350715. MAHABUBNAGAR Tel: 273300. MALAPPURAM Tel: 2738873. MANESAR Tel: 8448720286. MANGALORE Tel: 2440582, 2445220. MARTHANDAM Tel: 271744, 272744. MATHURA Tel: 2423017. MAVELIKKARA Tel: 2344412. MEERUT Tel: 4058793/4. MEHSANA Tel: 7227011284. MODASA Tel: 2774241422, 2774241522. MOGA Tel: 512500. MOHALI Tel: 2218925/26. MORADABAD Tel: 2485100. MUMBAI (Churchgate) Tel: 61766000. MUMBAI [Churchgate (Deposits)] Tel: 67546060, 1800222022. MUMBAI (Andheri East) Tel: 67654870/1/2/3. MUMBAI (Andheri West) Tel: 67423013/4/5/6/7. MUMBAI (Andheri-Kurla Road) Tel: 67423018/19/20/21. MUMBAI (Bandra Kurla Complex) Tel: 61668700/1/2/3. MUMBAI (Borivali) Tel: 28907153, 28937152/55. MUMBAI (Borivali - L T Road - Deposits) Tel: 28937000/1. MUMBAI (Borivali-East) Tel: 28705417/18/19. MUMBAI (Boisar) Tel : 66636000. MUMBAI (Chembur) Tel: 25291188/8838/0417. MUMBAI (Ghatkopar - Deposits) Tel: 25011284. MUMBAI (Goregaon) Tel: 28497102/3/4/5/6. MUMBAI (CPH-Jogeshwari) Tel: 67546111. MUMBAI (Lower Parel) Tel: 66152350. MUMBAI (Malad) Tel: 66636000. MUMBAI (Malad – Deposits) Tel: 28813676. MUMBAI (Mira Road) Tel: 28555065/6/7. MUMBAI (Mulund) Tel: 25654726/2131/1920. MUMBAI (Parel - Credit Risk Management) Tel: 66113020. MUMBAI (Vikhroli) Tel: 25186624/5/6. MUMBAI (Vasai) Tel: 2341132/33/34. MUMBAI (Virar) Tel: 2500162, 2501315/16/17. AMBERNATH Tel: 2603168/9. BADLAPUR Tel: 2671712/3/4/5. DOMBIVLI Tel: 2861473/4. THANE (Gokhale Road) Tel: 66636000. THANE (Vikas Complex) Tel: 66636000. THANE (Ghodbunder Road) Tel: 61033300. KALYAN Tel: 2201580/3/5. KARJAT Tel: 220301/2/3. VASHI (Navi Mumbai) Tel: 62933100, 66636000. KHARGHAR - Sec. 8 (Navi Mumbai) Tel: 27746813/4/5/7. KHARGHAR - Owe, Sec. 34C (Navi Mumbai) Tel: 66636000. KOPARKHAIRANE (Navi Mumbai) Tel: 27550615/16/17. SEAWOODS (Navi Mumbai) Tel: 27718787/89/90. NEW PANVEL Tel: 27490833/34, 27483548. OLD PANVEL Tel: 8657528157 - 61. MUVATTUPUZHA Tel: 2833533. MUZZAFARNAGAR Tel: 2615224. MUZAFFARPUR Tel: 2248033. MYSORE (Saraswathi Puram) Tel: 2545615. MYSORE (Vijayanagar) Tel: 2513355 / 8855. NAGERCOIL Tel: 237193. NAGPUR (Civil Lines) Tel: 2566000, 6620500. NAGPUR (Central Avenue Road) Tel: 2767559, 2771273/92. NAGPUR (Kadbi Chowk) Tel: 2542918. NAGPUR (Khamla Ring) Tel: 2289230. NALGONDA Tel: 224500. NANDURBAR Tel: 295152. NASHIK (Sharanpur Link Road) Tel: 6606000. NASHIK (Indira Nagar) Tel: 2302866. NASHIK (Nashik Road) Tel: 2459926. NASHIK (Panchavati) Tel: 2510055. NEEMUCH Tel: 403026/28. NELLORE Tel: 2359000. NEW DELHI (Munirka) Tel: 41115111. NEW DELHI (Connaught Place) Tel: 41514835/6/7. NEW DELHI (Dwarka) Tel: 42381538. NEW DELHI (Lodhi Road) Tel: 43792100. NEW DELHI (Netaji Subhash

Place) Tel: 47292032/3/4. NEW DELHI (Vikas Puri) Tel: 28540989/90. NIZAMABAD Tel: 221100. NOIDA (Sec-18) Tel: 4351302/03. NOIDA (Sec - 62) Tel: 6111900. ONGOLE Tel: 280299. PALA Tel: 315757, 315767. PALAKKAD Tel: 2536481, 2536482. PANCHKULA (Sector 5) Tel: 2556426/64. PANCHKULA (Sector 20) Tel: 4183444, 4193444. PANIPAT Tel: 2672014/04. PAONTA SAHIB Tel: 225022, 225122. PATHANAMTHITTA Tel: 2271372. PATHANKOT Tel: 2230452, 2220453. PATIALA Tel: 2209166, 5002768. PATNA Tel: 6690669. PATNA (Danapur) Tel: 222267/68. PERINTHALMANNA Tel: 222015, 227015. PITHAMPUR Tel: 292525/26. POLLACHI Tel: 221224/5. PUDUCHERRY Tel: 2205421/22. PUNE (University Road) Tel: 25505000. PUNE (Baner) Tel: 66057077/8. PUNE (Camp) Tel: 26831728/6738. PUNE (Chakan) Tel: 278100/1. PUNE (Chinchwad) Tel: 27371736/0219. PUNE (Hadapsar - Magarpatta) Tel: 26898412/395. PUNE (Kothrud) Tel: 25453592/3. PUNE (Nagar Road) Tel: 26699149. PUNE (Wakdewadi) Tel: 2550 5000. PUNE (Wakad) Tel: 8793280565/8. PUNE (Vishrantwadi) Tel: 8793280500/1. PUNE (Sinhagad Road) Tel: 24350151. PUNE (Ravet) Tel: 9960632050. RAIGARH Tel: 235611/12/ 13. RAIPUR Tel: 4243100. RAIPUR (Sunder Nagar) Tel: 4201666. RAJAHMUNDRY Tel: 6578181. RAJKOT Tel: 6136700. RANCHI Tel: 2331055, 2330823. RATLAM Tel: 407375. RATNAGIRI Tel: 224022/23. REWARI Tel: 221112/3. RISHIKESH Tel: 2432424. ROHTAK Tel: 255467/8/9. ROORKEE Tel: 272211, 18604204222. ROPAR Tel: 224986, 500100. ROURKELA Tel: 7205002683. RUDRAPUR Tel: 244422, 18604204222. SAHARANPUR Tel: 2760200. SALEM Tel: 2314486/7. SANGAREDDY Tel: 298450. SANGLI Tel: 2329892/3. SATARA Tel: 226400, 227901. SECUNDERABAD (A S Rao Nagar) Tel: 48539400. SHIMLA Tel: 2626711. SIKAR Tel: 271888, 270888. SILIGURI Tel: 2640716. SIRSA Tel: 220824/25, 8295400824. SOLAPUR Tel: 2316804/5. SONEPAT Tel: 2232111. SRI GANGANAGAR Tel: 2485900. SRINAGAR Mobile: 95964 32345. SURAT (Adajan) Tel: 4141212. SURAT (City Light) Tel: 2213201/2. SURAT (Majura Gate) Tel: 2475954. SURAT (Varachha) Tel: 6358766601 to 05. TENKASI Tel: 227774/3. THIRUVALLA Tel: 2600051. THIRUVANANTHAPURAM (Vazhuthacaud) Tel: 6170300, 2325927, 2322898. THIRUVANANTHAPURAM (Kazhakkuttom) Tel: 2417707/8. THIRUVANANTHAPURAM (Medical College) Tel: 2555515/6. THIRUVANANTHAPURAM (Nemom) Tel: 2391120. THIRUVANANTHAPURAM (Technopark) Tel: 2700701, 7736534769. THRISSUR Tel: 2389790/1. TIRUCHIRAPALLI (Cantonment) Tel: 2412744 / 2414744. TIRUCHIRAPALLI (BHEL Road) Tel: 2532701/2/3. TIRUPATI Tel: 6645831. TIRUPUR Tel: 4242901/2. TIRUNELVELI Tel: 2577822/33. TUMKUR Tel: 2252202. TUTICORIN Tel: 2300707/807. UDAIPUR Tel: 2529783. UJJAIN Tel: 4433333, 2533685. UNNAO Tel: 2820220. VADODARA (Race Course) Tel: 2308400, 2356397, 2320240. VADODARA (Sama Savli Road) Tel: 2961616/17. VADODARA (Waghodia Road) Tel: 2514164, 2512364. VAPI Tel: 2462580, 2402573/34. VARANASI Tel: 2224033/34. VELLORE Tel: 2241261/2/3. VIJAYAWADA Tel: 2429100. VISAKHAPATNAM (Siripuram) Tel: 6799500. VISAKHAPATNAM (Gajuwaka) Tel: 2570120. VISAKHAPATNAM (Gopalapatnam) Tel: 6670163. WARDHA Tel: 232200/400/800. WARANGAL Tel: 2451000. YAMUNA NAGAR Tel: 260024/16. ZIRAKPUR Tel: 9646663715, 9646663716.

(Working days & Hours: Monday to Friday: 9.30 am to 5.15 pm;
Saturday: 10 am to 1 pm; Closed on Third Saturday)

(Mira Road, Vasai, Virar, Boisar, Thane, Dombivali, Kalyan, Ambarnath, Badlapur, Karjat, Koparkhairane, Vashi, Seawoods, Kharghar, New Panvel and Old Panvel are listed under Mumbai).

Representative offices outside India:
DUBAI Tel: +971 (4) 3961825.
LONDON Tel: + 44 (0) 20 78725545 / 47 / 42 / 62
SINGAPORE Tel: + 65 65367000.

Notes

Notes

AWARDS & ACCOLADES

- Felicitated for the 2^{nd} consecutive year as the Leader in Corporate Governance at the 4^{th} Annual Announcement of 'IFC-IiAS-BSE Governance Scores', an initiative of the BSE Limited and International Finance Corporation (IFC).
- Awarded as 'Leading Housing Finance Company' at the Dun & Bradstreet BFSI Awards 2020. This was their 4^{th} year of awards for this category and HDFC has received it on all four occasions.
- Ranked 4^{th} in the 'Consumer Financial Services' category in the list of 'World's Best Regarded Companies 2019' by Forbes. (Source: PTI)
- Awarded as 'Prestigious Brand of India 2020' by Herald Global and BARC Asia.

HDFC

WITH YOU, RIGHT THROUGH

www.hdfc.com

This annual report is printed on Eco-Friendly paper

Connect with us:

HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

Regd. Office: Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020
Corp. Office: HDFC House, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020
Corporate Identity Number: L70100MH1977PLC019916, Phone No.: +91-22-66316000
Website: *www.hdfc.com*, E-mail: *investorcare@hdfc.com*

Notice

NOTICE IS HEREBY GIVEN THAT THE **FORTY THIRD ANNUAL GENERAL MEETING** OF HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED (THE "**CORPORATION**") WILL BE HELD ON **THURSDAY, JULY 30, 2020,** AT **2:30 P.M.** THROUGH TWO-WAY VIDEO CONFERENCE AND SUBJECT TO NECESSARY PERMISSIONS FROM LOCAL AUTHORITIES, THE ANNUAL GENERAL MEETING WILL ALSO BE HELD AT RAMA & SUNDRI WATUMULL AUDITORIUM, K. C. COLLEGE, DINSHAW WACHA ROAD, CHURCHGATE, MUMBAI 400 020 TO TRANSACT THE FOLLOWING BUSINESSES:

ORDINARY BUSINESS:

1. To receive, consider and adopt:

(a) the audited financial statements of the Corporation for the financial year ended March 31, 2020 together with the reports of the Board of Directors and Auditors thereon; and

(b) the audited consolidated financial statements for the financial year ended March 31, 2020 together with the report of the Auditors thereon.

2. To declare dividend on equity shares for the financial year ended March 31, 2020.

3. To appoint a Director in place of Ms. Renu Sud Karnad (DIN:00008064), who retires by rotation and, being eligible, offers herself for re-appointment.

SPECIAL BUSINESS:

4. **To consider, and if thought fit, to pass the following resolution as an <u>Ordinary Resolution</u> for re-appointment of Ms. Renu Sud Karnad as the Managing Director of the Corporation:**

"**RESOLVED THAT** pursuant to the provisions of Sections 196 and 203 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013, the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and any other rules framed thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any amendment, modification, variation or re-enactment thereof and the Articles of Association of the Corporation, approval of the Members of the Corporation be and is hereby accorded to the re-appointment of Ms. Renu Sud Karnad (DIN:00008064) as the Managing Director of the Corporation with effect from January 1, 2020 till September 2, 2022, who shall be liable to retire by rotation, upon the terms and conditions as specifically mentioned in the explanatory statement annexed to this Notice."

"**RESOLVED FURTHER THAT** the Board of Directors (hereinafter referred as the "Board" and shall be deemed to include the Nomination and Remuneration Committee of Directors of the Corporation) be and is hereby authorised to alter and vary the terms and conditions of the said re-appointment including authority, from time to time, to determine the amount of salary and commission as also the type and amount of perquisites, other benefits and allowances payable to Ms. Renu Sud Karnad in such manner as may be agreed to between the Board and Ms. Renu Sud Karnad, subject to the maximum limit approved by the Members of the Corporation in this regard and the limits prescribed under Section 197 of the Companies Act, 2013 including any amendment, modification, variation or re-enactment thereof and to do all such acts, deeds, matters and things and execute all such agreements, documents, instruments and writings as may be required in regard to the said re-appointment as it may in its sole and absolute discretion deem fit, to give effect to this resolution."

5. **To consider, and if thought fit, to pass the following resolution as an <u>Ordinary Resolution</u> for re-appointment of Mr. V. Srinivasa Rangan as the Whole-time Director of the Corporation (designated as 'Executive Director'):**

"**RESOLVED THAT** pursuant to the provisions of Sections 196 and 203 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013, the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and any other rules framed thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any amendment, modification, variation or re-enactment thereof and the Articles of Association of the Corporation, approval of the Members of the Corporation be and is hereby accorded to the re-appointment of Mr. V. Srinivasa Rangan (DIN:00030248) as the Whole-time Director of the Corporation (designated as 'Executive Director') for a period of 5 (five) years with effect from January 1, 2020, who shall be liable to retire by rotation, upon the terms and conditions as specifically mentioned in the explanatory statement annexed to this Notice."

"**RESOLVED FURTHER THAT** the Board of Directors (hereinafter referred as the "Board" and shall be deemed to include the Nomination and Remuneration Committee of Directors of the Corporation) be and is hereby authorised to alter and vary the terms and conditions of the said re-appointment including authority, from time to time, to determine the amount of salary and commission as also the type and amount of perquisites, other benefits and allowances payable to Mr. V. Srinivasa Rangan in such manner as may be agreed to between the Board and Mr. V. Srinivasa Rangan, subject to the maximum limit approved by the Members of the Corporation in this regard and the limits prescribed under Section 197 of the Companies Act, 2013 including any amendment, modification, variation or re-enactment thereof and to do all such acts, deeds, matters and things and execute all such agreements, documents, instruments and writings as may be required in regard to the said re-appointment as it may in its sole and absolute discretion deem fit, to give effect to this resolution."

6. **To consider, and if thought fit, to pass the following resolution as an <u>Ordinary Resolution</u> for approval of Related Party Transactions with HDFC Bank Limited, an associate company of the Corporation:**

"**RESOLVED THAT** pursuant to Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "Listing Regulations"), Section 188 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers), Rules, 2014 and any other applicable provisions, including any amendment, modification, variation or re-enactment thereof, the Members of the Corporation do hereby ratify as also accord further approval to the Board of Directors of the Corporation (hereinafter referred to as the "Board" which term shall be deemed to include any committee(s) constituted/to be constituted by the Board, from time to time, to exercise its powers conferred by this resolution), for carrying out and/or continuing with arrangements and transactions (whether individual transaction or transactions taken together or series of transactions or otherwise) during the period from April 1, 2020 till the conclusion of the 44th Annual General Meeting of the Corporation, with HDFC Bank Limited ("HDFC Bank"), being a related party, whether by way of renewal(s) or extension(s) or modification(s) of earlier arrangements/ transactions or otherwise including the banking transactions, transactions for (i) sourcing of home loans for the Corporation by HDFC Bank against the consideration of the commission agreed upon or as may be mutually agreed upon from time to time, (ii) assignment/securitisation of such percentage of home loan sourced by HDFC Bank or others, agreed upon or as may be agreed from time to time mutually between the Corporation and HDFC Bank, (iii) servicing of home loans assigned/ securitised against the consideration agreed upon or as may be mutually agreed upon, from time to time and (iv) any other transactions including those as may be disclosed in the notes forming part of the financial statements for the relevant period, notwithstanding the fact that all these transactions in aggregate, may exceed the limits prescribed under the Listing Regulations or any other materiality threshold as may be applicable, from time to time."

"**RESOLVED FURTHER THAT** the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such agreements, documents, instruments and writings as may be required, with power to settle all questions, difficulties or doubts that may arise with regard to the said matter as it may in its sole and absolute discretion deem necessary and to delegate all or any of its powers herein conferred to any Committee of Directors and/or director(s) and/or officer(s) of the Corporation, to give effect to this resolution."

7. **To consider, and if thought fit, to pass the following resolution as a <u>Special Resolution</u> for issuance of Redeemable Non-Convertible Debentures and/or other hybrid instruments on private placement basis:**

"**RESOLVED THAT** pursuant to the provisions of Sections 42, 71 and other applicable provisions, if any, of the Companies Act, 2013, the Housing Finance Companies issuance of Non-Convertible Debentures on private placement basis (NHB) Directions, 2014, Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, the Companies (Share Capital and Debentures) Rules, 2014, the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any amendment, modification, variation or re-enactment thereof and other applicable guidelines, directions or laws, the consent of the Members of the Corporation be and is hereby accorded to the Board of Directors of the Corporation (hereinafter referred to as the "Board" which term shall be deemed to include any committee(s) constituted/to be constituted by the Board, from time to time, to exercise its powers conferred by this resolution), to issue Redeemable Non-Convertible Debentures (NCDs) secured or unsecured and/or any other hybrid instruments (not in the nature of equity shares) which may or may not be classified as being Tier II capital under the provisions of the Housing Finance Companies (NHB) Directions, 2010, for cash either at par or premium or at a discount to the face value, for an aggregate amount not exceeding ₹ 1,25,000 crore (Rupees One lac Twenty Five thousand crore only) under one or more shelf disclosure document(s) and/or under one or more letter(s) of offer as may be issued by the Corporation and in one or more series, during a period of one year commencing from the date of this Annual General Meeting, on a private placement basis and on such terms and conditions as the Board may deem fit and appropriate for each series, as the case may be; provided however that the borrowings including by way of issue of NCDs and/or any other hybrid instruments will be within the overall limit of borrowing as approved by the Members of the Corporation, from time to time."

"**RESOLVED FURTHER THAT** the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such agreements, documents, instruments and writings as may be required, with power to settle all questions, difficulties or doubts that may arise with regard to the said matter as it may in its sole and absolute discretion deem necessary and to delegate all or any of its powers herein conferred to any Committee of Directors and/or director(s) and/or officer(s) of the Corporation, to give effect to this resolution."

8. **To consider, and if thought fit, to pass the following resolution as a Special Resolution for sale of shares held in HDFC Life Insurance Company Limited, a material listed subsidiary of the Corporation, pursuant to the specific direction issued by the Reserve Bank of India:**

"**RESOLVED THAT** in accordance with the specific direction issued to the Corporation by the Reserve Bank of India (RBI) in terms of Para 2.1 of the Circular No. NHB(ND)/DRS/Policy Circular No.71/2014-15 issued by National Housing Bank on April 22, 2015 and pursuant to the provisions of Regulation 24(5) of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the relevant provisions of the Memorandum and Articles of Association of the Corporation and subject to such other rules, regulations and guidelines that may be issued by SEBI/RBI and/or such other authorities, from time to time, the consent of the Members of the Corporation be and is hereby accorded to the Board of Directors of the Corporation (hereinafter referred to as the "Board" which term shall be deemed to include any committee(s) constituted/to be constituted by the Board, from time to time, to exercise its powers conferred by this resolution) to sell, transfer or otherwise dispose off through secondary market and/or any other permissible off-market mode, in one or more tranches, to one or more persons on such terms and conditions as may be deemed fit by the Board, such number of shares held by the Corporation in HDFC Life Insurance Company Limited (HDFC Life), a material listed subsidiary of the Corporation determined in accordance with Regulation 16(1)(c) of the Listing Regulations read with the Policy for determining Material Subsidiary Companies of the Corporation, which may result in the shareholding of the Corporation being reduced to 50% or below of the then existing paid-up equity share capital of HDFC Life from the existing shareholding of 51.43% in HDFC Life."

"**RESOLVED FURTHER THAT** the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such agreements, documents, instruments and writings as may be required including making applications to regulatory authorities, with power to settle all questions, difficulties or doubts that may arise with regard to the said matter as it may in its sole and absolute discretion deem necessary and to delegate all or any of its powers herein conferred to any Committee of Directors and/or director(s) and/or officer(s) of the Corporation, to give effect to this resolution."

9. **To consider, and if thought fit, to pass the following resolution as a Special Resolution for sale of shares held in HDFC ERGO General Insurance Company Limited, a material subsidiary of the Corporation, pursuant to the specific direction issued by the Reserve Bank of India:**

"**RESOLVED THAT** in accordance with the specific direction issued to the Corporation by the Reserve Bank of India (RBI) in terms of Para 2.1 of the Circular No. NHB (ND)/DRS/Policy Circular No.71/2014-15 issued by National Housing Bank on April 22, 2015 and pursuant to the provisions of Regulation 24(5) of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the relevant provisions of the Memorandum and Articles of Association of the Corporation and subject to such other rules, regulations and guidelines that may be issued by SEBI/RBI and/or such other authorities, from time to time, the consent of the Members of the Corporation be and is hereby accorded to the Board of Directors of the Corporation (hereinafter referred to as the "Board" which term shall be deemed to include any committee(s) constituted/to be constituted by the Board, from time to time, to exercise its powers conferred by this resolution) to sell, transfer or otherwise dispose off through any permissible mode, in one or more tranches, to one or more persons on such terms and conditions as may be deemed fit by the Board, such number of shares held by the Corporation in HDFC ERGO General Insurance Company Limited (HDFC ERGO), a material subsidiary of the Corporation determined in accordance with Regulation 16(1)(c) of the Listing Regulations read with the Policy for determining Material Subsidiary Companies of the Corporation, that after the merger of HDFC ERGO Health Insurance Limited (formerly Apollo Munich Health Insurance Company Limited) into and with HDFC ERGO, may result in the shareholding of the Corporation being reduced to 50% or below of the paid-up equity share capital of HDFC ERGO."

"**RESOLVED FURTHER THAT** the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such agreements, documents, instruments and writings as may be required including making applications to regulatory authorities, with power to settle all questions, difficulties or doubts that may arise with regard to the said matter as it may in its sole and absolute discretion deem necessary and to delegate all or any of its powers herein conferred to any Committee of Directors and/or director(s) and/or officer(s) of the Corporation, to give effect to this resolution."

By Order of the Board

Ajay Agarwal
Company Secretary
FCS: 9023

MUMBAI
June 19, 2020

NOTES:

i. The Corporation believes that Annual General Meeting (AGM) is a forum which provides the Members an opportunity to interact with the Board of Directors, auditors and the senior management of the Corporation, which helps in ensuring and safeguarding the corporate democracy. In this connection, in view of the continuing restrictions on the movement of persons at several places in the country, though the Ministry of Corporate Affairs (MCA) has waived off the requirement of holding a physical meeting, the Board of Directors of the Corporation has decided to continue holding the physical AGM. However, the AGM will be held physically, subject to receipt of necessary permissions from the relevant authorities.

In terms of the circular issued by the MCA on May 5, 2020 read with the circulars issued on April 8, 2020 and April 13, 2020 (hereinafter collectively referred to as 'MCA circulars'), the Corporation would be providing two-way Video Conference (VC) facility in order to provide an opportunity to all its Members to participate in the AGM.

In the event that the Corporation is not able to hold physical AGM, necessary public notice(s) will be issued in order to communicate the same to the Members and in such circumstance the participation at the AGM would be only through VC in accordance with the MCA circulars.

ii. The Corporation has availed the services of National Securities Depository Limited (NSDL) for providing VC and e-voting facility.

iii. **Instructions for Members to attend the AGM through VC**

a. Members can attend the AGM through VC by following the steps mentioned herein below:

Step 1	:	Login to the NSDL e-voting portal, *https://www.evoting.nsdl.com* The Members can also attend the AGM through the Corporation's website, *www.hdfc.com.*
Step 2	:	Click on the "Share-holder/Member" login. The login credentials are as follows: **A. User ID** 1. Members with NSDL account: 8-character DP ID followed by 8-digit Client ID(for example, if your DP ID is IN****** and Client ID is ********, then your user ID is IN**************). 2. Members with CDSL account: 16-digit Beneficiary ID (for example, if your Beneficiary ID is 12**************, then your user ID is 12**************). 3. Members with physical folio: EVEN i.e. 112957 + folio number registered with the Corporation (for example, if your folio number is *****, then your user ID is 112957*****). **B. Password** Existing Users – use your existing password. In case you have forgotten your password, you can generate a new password by clicking the appropriate tab provided on the same page. Login for the first time – password is mentioned in the file attached. Members may also use OTP based login. The OTP will be sent to the registered mobile number and/or e-mail address. In case any Member is still unable to get the password through the aforesaid options, he/she can send a request at *evoting@nsdl.co.in* mentioning his/her DP ID and/or Client ID/folio number and PAN.
Step 3	:	Once the login credentials are verified by the system, - Click on e-voting: Active Voting cycles - Select EVEN of Housing Developement Finance Corporation Limited i.e. 112957.

Step 3 [Contd.]	:	Click on the link 'Join General Meeting' to participate in the AGM.
You would be able to participate in the AGM and your attendance would be counted for the purpose of quorum.		

b. Please note that the Members connecting from mobile devices or tablets or laptop via mobile hotspot may experience audio/video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN Connection to mitigate any kind of technical glitches.

c. The link for joining the AGM through VC will be activated 30 minutes before the scheduled start-time of the AGM and will remain open throughout the AGM.

d. Members facing any problem in attending the AGM through VC can contact Mr. Anubhav Saxena, Assistant Manager at *anubhavs@nsdl.co.in* or call on 022-2499 4835 or on Toll Free No.: 1800-222-990.

iv. Voting through electronic means

In compliance with the provisions of Regulation 44 of the Listing Regulations, Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended), MCA circulars and the Secretarial Standard on General Meetings, the Corporation is providing a facility to all its Members to enable them to cast their vote on the resolutions listed in this Notice by electronic means i.e. remote e-voting prior to the AGM and also during the AGM (for those Members who had not exercised their vote through remote e-voting). The e-voting facility is provided by NSDL.

a. **Steps for remote e-voting:**

Step 1	:	*Login to the NSDL e-voting portal, https://www.evoting.nsdl.com.*
Step 2	:	Click on the "Share-holder/Member" login. The Login credentials are as provided under Note No. iii above relating to instructions for Members for attending the AGM through VC.
Step 3	:	a) Click on e-voting: Active Voting Cycles. b) Select EVEN of Housing Development Finance Corporation Limited i.e. 112957. c) Once you select the EVEN, the Cast Vote page will open. d) Cast your vote by selecting your favoured option along with the number of shares for which you wish to cast your vote and then click on "Submit" followed by "Confirm" when prompted.
Step 4	:	Upon confirmation, the message "Vote cast successfully" will be displayed. Please note that once your vote is cast on a selected resolution, it cannot be modified.

b. Necessary arrangements have been made for those Members who have not cast their vote through remote e-voting, for voting during the AGM. Members attending the AGM through VC would be able to vote by following the instructions mentioned above. Members present at the AGM venue will be able to vote through Tab voting.

c. Some of the important details regarding the remote e-voting facility are provided below:

Cut-off date for determining the Members entitled to vote	Thursday, July 23, 2020
Commencement of remote e-voting period	Monday, July 27, 2020 at 10:00 a.m.
End of remote e-voting period	Wednesday, July 29, 2020 at 5:00 p.m.

The remote e-voting module will be disabled by NSDL after 5:00 p.m. on Wednesday, July 29, 2020.

d. Members who have cast their vote electronically may participate at the AGM but shall not be entitled to vote again.

e. A person who is not a Member as on the cut-off date should treat this Notice solely for information purposes.

f. The voting rights of the Members shall be in proportion to their share in the paid-up equity share capital of the Corporation as on the cut-off date i.e. Thursday, July 23, 2020.

g. In case of any queries, please refer to the FAQs-Shareholders and e-voting User Manual-Shareholder available in the Downloads section at *www.evoting.nsdl.com* or call on Toll Free No.: 1800-22-990. You can also e-mail your queries with regard to e-voting to Mr. Amit Vishal, Senior Manager at *amitv@nsdl.co.in* or Ms. Pallavi Mhatre, Manager at *pallavid@nsdl.co.in* or call on 022-2499 4360/4545 or you can also send an e-mail to *evoting@nsdl.co.in.*

h. In case of joint holders, the Member whose name appears higher in the order of names as per the Register of Members of the Corporation will be entitled to vote at the AGM, provided the votes are not already cast through remote e-voting.

i. Mr. N. L. Bhatia, Company Secretary (Membership No. FCS 1176), Managing Partner, Messrs N L Bhatia & Associates, Practising Company Secretaries (C.P. No. 422) has communicated his willingness and has been appointed by the Corporation to act as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

j. The Scrutinizer shall submit a consolidated report of the total votes cast in favour of or against, if any, on each of the resolutions set out in this Notice, not later than 48 hours from the conclusion of the AGM, to the Chairman of the Corporation. The Chairman or any other person authorised by the Chairman shall declare the result of the voting forthwith.

k. The results, along with the Scrutinizer's Report shall be placed on the website of the Corporation and NSDL and shall be communicated to BSE Limited and National Stock Exchange of India Limited.

l. Subject to the receipt of requisite number of votes, the resolutions as set out in this Notice shall be deemed to be passed on the date of the AGM i.e. Thursday, July 30, 2020.

v. In accordance with the directions issued by the Securities and Exchange Board of India (SEBI) and MCA, the Corporation would be sending the Annual Report of the Corporation for the financial year 2019-20 along with this Notice only through e-mail to those Members who have registered their e-mail address with the Corporation/ Depository Participant (DP).

The said Annual Report and this Notice will also be placed at *www.hdfc.com*, *www.bseindia.com* and *www.nseindia.com.* This Notice will also be placed on the website of NSDL.

vi. **As per the directions of SEBI and MCA, the option of appointing proxies will not be available for the AGM.** However, Institutional/Corporate Members intending to attend and vote at the said AGM, are requested to send a certified copy of the board resolution authorising their representative to attend and/or vote on their behalf, to the Scrutinizer by sending an e-mail to *scrutinizer@hdfc.com* with a copy marked to *evoting@nsdl.co.in* by quoting the DP ID and Client ID or Folio Number.

vii. The explanatory statement pursuant to Section 102 of the Companies Act, 2013, in respect of the business under Item Nos. 4 to 9 is annexed hereto and forms part of this Notice.

viii. Information with regard to Ms. Renu Sud Karnad and Mr. V. Srinivasa Rangan, as stipulated under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "Listing Regulations") and the Secretarial Standard on General Meetings is annexed hereto.

ix. All documents referred to in this Notice and other statutory registers are open for inspection by the Members at the Registered Office of the Corporation on all working days except Saturdays, Sundays and National Holidays between 10:00 a.m. and 12 noon from the date hereof up to the date of the AGM and also during the AGM. The said documents would also be available online for inspection during the AGM at the e-voting portal as mentioned above.

x. The Register of Members and Share Transfer Books of the Corporation will remain closed from Monday, July 13, 2020 to Thursday, July 30, 2020 (both days inclusive), for the purpose of payment of dividend for the year ended March 31, 2020, if approved by the Members at the AGM.

xi. The Members are requested to note that in case the payment of dividend for the financial year 2019-20 is approved by the Members at the AGM, the Corporation would be able to dispatch the dividend warrants only upon normalization of postal services.

xii. Members holding shares in physical form are requested to promptly notify in writing their bank account details/any change therein or change in their address, details relating to nomination, e-mail address, mobile number, etc. to the **Investor Services Department of the Corporation (ISD) at 5th Floor, Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020.** Members holding shares in electronic form are requested to notify the change in above particulars directly to their DP.

xiii. Members having any queries or questions may send the same to *investorcare@hdfc.com* at least 3 days prior to the date of the AGM. This would enable the Corporation to keep the responses ready at the AGM.

Members who wish to raise any query or express their views or speak at the AGM are required to register themselves one day prior to the date of the AGM by sending an e-mail to *investorcare@hdfc.com.* Members may also raise queries during the AGM. Members intending to speak at the AGM would require microphone and speakers – built-in or USB plug-in or wireless blue-tooth.

The Corporation reserves the right to restrict the number of questions and number of speakers, as appropriate for smooth conduct of the AGM.

xiv. **Tax Deducted at Source (TDS) on Dividend:**

We wish to inform the Members that the Finance Act, 2020 abolished the Dividend Distribution Tax (DDT) regime with effect from April 1, 2020 and introduced the system of taxation of dividend income. In view of the same, the Corporation would be required to deduct tax at source (TDS), in respect of payment of dividend to its shareholders, resident as well as non-resident, if so approved at the AGM. For details regarding the rate of TDS to be deducted by the Corporation and matters related thereto, Members are requested to refer to the Shareholders' Information section forming part of the Annual Report of the Corporation for the financial year 2019-20 or visit the Investors Section on the website of the Corporation.

Annexure to the Notice

Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013

As required under Section 102(1) of the Companies Act, 2013, the following explanatory statement sets out all material facts relating to the special business mentioned under Item Nos. 4 to 9 of this Notice.

Item No. 4

The Members of the Corporation at the 37th Annual General Meeting (AGM) held on July 21, 2014 approved the re-appointment of Ms. Renu Sud Karnad as the Managing Director of the Corporation for a period of 5 (five) years with effect from January 1, 2015.

The Nomination and Remuneration Committee of Directors after considering the meritorious services and significant contribution made by Ms. Renu Sud Karnad to the growth in operations and profitability of the Corporation recommended the re-appointment of Ms. Karnad as the Managing Director of the Corporation with effect from January 1, 2020 till September 2, 2022. The Board of Directors at its meeting held on December 17, 2019 considered and unanimously approved the same, subject to the approval of the Members of the Corporation.

Ms. Renu Sud Karnad has confirmed that she continues to satisfy the fit and proper criteria as prescribed under Housing Finance Companies – Corporate Governance (NHB) Directions, 2016 and the conditions provided under Part I of Schedule V to the Companies Act, 2013 and that she is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013. She has also confirmed that she is not debarred from holding the office of director by virtue of any order by SEBI or any other authority. Ms. Renu Sud Karnad is committed to devote enough time that is required by the Corporation in order to fulfil her fiduciary responsibility towards the various stakeholders.

The Members are requested to note that there is no change proposed in the terms and conditions of the re-appointment of Ms. Renu Sud Karnad as the Managing Director of the Corporation. The existing key terms and conditions which would continue after the said re-appointment, more particularly as set out in the agreement between the Corporation and Ms. Renu Sud Karnad are as follows:

i. The re-appointment of Ms. Renu Sud Karnad as the Managing Director of the Corporation shall be with effect from January 1, 2020 till September 2, 2022.

ii. During the term, Ms. Renu Sud Karnad shall continue to be a member of the Board and shall be liable to retire by rotation.

iii. The Board has also designated Ms. Karnad in her capacity as the Managing Director as a Key Managerial Person of the Corporation.

iv. Salary payable to Ms. Karnad shall be in the range of ₹ 15,00,000 to ₹ 27,00,000 per month (which was approved by the Members of the Corporation at the AGM held on July 26, 2017).

v. Commission per annum shall be equivalent to such sum as may be fixed by the Board of Directors and/ or Nomination and Remuneration Committee of Directors, subject to a ceiling of 1% of the net profits of the Corporation. The net profits shall be computed in the manner as set out under Section 198 of the Companies Act, 2013.

vi. Perquisites per annum shall be equivalent to her annual salary. Perquisites include rent free furnished accommodation, reimbursement of gas, electricity, water charges and medical expenses for self and family members, furnishings, payment of premium on personal accident and health insurance, club fees and such other perquisites as may be approved by the Board of Directors or Nomination and Remuneration Committee of Directors, from time to time, subject to an overall ceiling of her annual salary.

vii. Other benefits and allowances include use of car with driver, telephones for the Corporation's business (expenses whereof would be borne and paid by the Corporation), house rent allowance or house maintenance allowance, leave travel allowance, contributions to provident fund, superannuation fund and all other benefits as are applicable to directors and/or senior employees of the Corporation including but not limited to gratuity, leave entitlement, encashment of leave and housing and other loan facilities as per the schemes of the Corporation and as approved by the Board of Directors and/or Nomination and Remuneration Committee of Directors, from time to time.

viii. Subject to fulfilling the eligibility criteria, Ms. Renu Sud Karnad shall be entitled to post retirement pension and other post retirement benefit(s) in the form of medical benefits and use of car and all other benefits as are provided to the directors and/or senior employees of the Corporation, in accordance with the schemes framed/to be framed by the Corporation and as approved by the Board of Directors or Nomination and Remuneration Committee of Directors, from time to time. The said retiral benefits will be available to Ms. Karnad on her resignation/ retirement or end of service from the Corporation, whichever is earlier.

ix. Ms. Renu Sud Karnad shall also be eligible for stock options under Employee Stock Option Scheme(s) as may be approved by the Board of Directors or Nomination and Remuneration Committee of Directors, from time to time.

x. The valuation of perquisites will be as per the Income-Tax Rules, 1962, in cases where the same is otherwise not possible to be valued.

xi. The notice period for termination of the said agreement with Ms. Karnad is three months. No severance fee is payable by the Corporation on termination of the agreement.

Pursuant to the provisions of Section 196 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013, the Board unanimously recommends re-appointment of Ms. Renu Sud Karnad as the Managing Director of the Corporation on the terms and conditions as mentioned hereinabove for the approval of the Members.

Ms. Renu Sud Karnad and her relatives are interested in the resolution as set out at Item No. 4 of this Notice. None of the other Directors or Key Managerial Personnel of the Corporation or their relatives are in any way, concerned or interested, financially or otherwise, in the said resolution.

Item No. 5

The Members of the Corporation at the 37th Annual General Meeting (AGM) held on July 21, 2014 approved the re-appointment of Mr. V. Srinivasa Rangan as the Whole-time Director of the Corporation (designated as 'Executive Director') for a period of 5 (five) years with effect from January 1, 2015.

The Nomination and Remuneration Committee of Directors after considering the meritorious performance of Mr. V. Srinivasa Rangan in mobilization of funds of the Corporation, investments, asset liability management and risk management and his contribution to the growth in profitability of the Corporation, recommended the re-appointment of Mr. Rangan as the Whole-time Director of the Corporation (designated as 'Executive Director') with effect from January 1, 2020 for a period of 5 (five) years. The Board of Directors at its meeting held on December 17, 2019 considered and unanimously approved the same, subject to the approval of the Members of the Corporation.

Mr. V. Srinivasa Rangan has confirmed that he continues to satisfy the fit and proper criteria as prescribed under Housing Finance Companies – Corporate Governance (NHB) Directions, 2016 and the conditions provided under Part I of Schedule V to the Companies Act, 2013 and that he is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013. He has also confirmed that he is not debarred from holding the office of director by virtue of any order by SEBI or any other authority. Mr. V. Srinivasa Rangan is committed to devote enough time that is required by the Corporation in order to fulfil his fiduciary responsibility towards the various stakeholders.

The Members are requested to note that there is no change proposed in the terms and conditions of the re-appointment of Mr. V. Srinivasa Rangan as the Whole-time Director (designated as 'Executive Director') of the Corporation. The existing key terms and conditions which would continue after the said re-appointment, more particularly as set out in the agreement between the Corporation and Mr. V. Srinivasa Rangan are as follows:

i. The re-appointment of Mr. V. Srinivasa Rangan as the Whole-time Director (designated as 'Executive Director') of the Corporation shall be with effect from January 1, 2020 for a period of 5 (five) years.

ii. During the term, Mr. V. Srinivasa Rangan shall continue to be a member of the Board and shall be liable to retire by rotation.

iii. The Board has also designated Mr. Rangan in his capacity as the Whole-time Director and Chief Financial Officer as a Key Managerial Person of the Corporation.

iv. Salary payable to Mr. Rangan shall be in the range of ₹ 5,00,000 to ₹ 20,00,000 per month (which was approved by the Members of the Corporation at the AGM held on July 26, 2017).

v. Commission per annum shall be equivalent to such sum as may be fixed by the Board of Directors and/or Nomination and Remuneration Committee of Directors, subject to a ceiling of 1% of the net profits of the Corporation. The net profits shall be computed in the manner as set out under Section 198 of the Companies Act, 2013.

vi. Perquisites per annum shall be equivalent to his annual salary. Perquisites include rent free furnished accommodation, reimbursement of gas, electricity, water charges and medical expenses for self and family members, furnishings, payment of premium on personal accident and health insurance, club fees and such other perquisites as may be approved by the Board of Directors or Nomination and Remuneration Committee of Directors, from time to time, subject to an overall ceiling of his annual salary.

vii. Other benefits and allowances include use of car with driver, telephones for the Corporation's business (expenses whereof would be borne and paid by the Corporation), house rent allowance or house maintenance allowance, leave travel allowance, contributions to provident fund, superannuation fund and all other benefits as are applicable to directors and/or senior employees of the Corporation including but not limited to gratuity, leave entitlement, encashment of leave and housing and other loan facilities as per the schemes of the Corporation and as approved by the Board of Directors and/or Nomination and Remuneration Committee of Directors, from time to time.

viii. Subject to fulfilling the eligibility criteria, Mr. V. Srinivasa Rangan shall be entitled to post retirement pension and other post retirement benefit(s) in the form of medical benefits and use of car and all other benefits as are provided to the directors and/or senior employees of the Corporation, in accordance with the schemes framed/to be framed by the Corporation and as approved by the Board of Directors or Nomination and Remuneration Committee of Directors, from time to time. The said retiral benefits will be available to Mr. Rangan on his resignation/retirement or end of service from the Corporation, whichever is earlier.

ix. Mr. V. Srinivasa Rangan shall also be eligible for stock options under Employee Stock Option Scheme(s) as may be approved by the Board of Directors or Nomination and Remuneration Committee of Directors, from time to time.

x. The valuation of perquisites will be as per the Income-Tax Rules, 1962, in cases where the same is otherwise not possible to be valued.

xi. The notice period for termination of the said agreement with Mr. Rangan is three months. No severance fee is payable by the Corporation on termination of the agreement.

Pursuant to the provisions of Section 196 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013, the Board unanimously recommends re-appointment of Mr. V. Srinivasa Rangan as the Executive Director of the Corporation on the terms and conditions as mentioned hereinabove for the approval of the Members.

Mr. V. Srinivasa Rangan and his relatives are interested in the resolution as set out at Item No. 5 of this Notice. None of the other Directors or Key Managerial Personnel of the Corporation or their relatives are in any way, concerned or interested, financially or otherwise, in the said resolution.

Item No. 6

The provisions of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "Listing Regulations") requires shareholders' approval by means of an ordinary resolution for all material related party transactions, even if such transactions are in the ordinary course of business of the concerned company and on an arm's length basis.

A transaction with a related party shall be considered material under the Listing Regulations, if the transaction(s) in a contract to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the company as per the last audited financial statements of the company.

Under the arrangement between the Corporation and HDFC Bank Limited (hereinafter referred to as "HDFC Bank"), an associate company of the Corporation, HDFC Bank sources home loans for the Corporation through its branches across India. On receipt of home loan application through

HDFC Bank, the Corporation after necessary due diligence (credit, legal and technical) approves and disburses the loan. The loans form part of the Corporation's loan book. HDFC Bank receives a sourcing fee for the loans sourced by it. Under the current arrangement, HDFC Bank has a right but not an obligation to purchase a maximum of 70% or such percentage as may be mutually agreeable, of the disbursed home loans sourced under the said arrangement.

The above arrangement has been approved by the Board of Directors of the Corporation (hereinafter referred to as "Board" which term shall be deemed to include any committee constituted/to be constituted by the Board, from time to time, to exercise its powers conferred by the said resolution) and HDFC Bank. The arrangement for sourcing of home loans and also the assignment thereof is in the ordinary course of business of the Corporation and on an arm's length basis. The Board is of the opinion that such an arrangement is beneficial to both the companies based on the economic and commercial factors. The Corporation has access to HDFC Bank's wide customer base spread across a network of 5,416 banking outlets. HDFC Bank in turn gets the benefit of an additional retail finance product together with the expertise of the Corporation in credit, legal and technical appraisals of home loans, which has been time tested over last several years. The Corporation continues to service the loans and the synergy of the arrangement makes it beneficial to the Members and Customers of both the organisations. As per the arrangement, the loans continue to be serviced by the Corporation, for which it is paid a consideration on mutually agreeable terms.

In addition to the above, the Corporation enters into various transactions with HDFC Bank including banking transactions and those disclosed in the notes forming part of the financial statements. In the financial year 2019-20, all these aforementioned transactions in terms of aggregate value, have exceeded 10% of the Corporation's annual consolidated turnover for the relevant year for which necessary approval was taken from the Members of the Corporation at the 42nd AGM held on August 2, 2019. The transactions have been continued so far in the financial year 2020-21 and are expected to exceed the prescribed threshold limits under the Listing Regulations so as to qualify as material related party transactions.

Accordingly, as per Regulation 23 of the Listing Regulations, approval of the Members is sought for ratification/ approval for the arrangements/ transactions undertaken whether by way of continuation/extension/ renewal/modification of earlier arrangements/transactions or otherwise, during the period from April 1, 2020 till conclusion of the 44th AGM of the Corporation. The Audit and Governance Committee of Directors has already granted approval for assignment/sale of home loans and other types of transactions with HDFC Bank under the omnibus route for the financial year 2020-21. The Corporation may assign/sell home loans up to an amount of ₹ 30,000 crore to HDFC Bank during the period from April 1, 2020 till conclusion of the 44th AGM of the Corporation.

Accordingly, the Corporation proposes to obtain approval of its Members for ratifying as also for giving further approval to the Board for carrying out and/or continuing with the following arrangements and transactions with HDFC Bank whether by way of renewal(s) or extension(s) or modification(s) of earlier arrangements/transactions or otherwise including banking transactions: (i) transactions for sourcing of home loans for the Corporation against the consideration of the commission agreed upon or as may be mutually agreed upon, from time to time; (ii) assignment/ securitisation of such percentage of home loans to HDFC Bank sourced by it agreed upon or as may be agreed upon, from time to time, mutually between the Corporation and HDFC Bank; (iii) arrangement of servicing of the home loans assigned/ securitised by the Corporation against the consideration agreed upon or as may be mutually agreed upon, from time to time; and (iv) any other transactions including transactions as may be disclosed in the notes forming part of the financial statements for the relevant period; during the period from April 1, 2020 till conclusion of the 44th AGM of the Corporation.

The above stated arrangements and transactions with HDFC Bank are related party transactions falling within the purview of the Listing Regulations and all these arrangements and transactions in aggregate, may exceed 10% of the annual consolidated turnover of the Corporation as per its last audited financial statements or any other threshold for qualifying a transaction as material related party transaction as may be applicable, from time to time, under the Listing Regulations.

Though the above transactions are in the ordinary course of business of the Corporation and on an arm's length basis, from a better governance perspective the approval of the Members is also being sought under Section 188 of the Companies Act, 2013.

The Board unanimously recommends passing of the ordinary resolution as set out at Item No. 6 of this Notice, for the approval of the Members.

Ms. Renu Sud Karnad is a Director of HDFC Bank. None of the other Directors or Key Managerial Personnel of the Corporation or their relatives, other than to the extent of their shareholding in the Corporation and HDFC Bank, if any, are in any way, concerned or interested, financially or otherwise, in the resolution as set out at Item No. 6 of this Notice.

The Members may please note that in terms of the provisions of the Listing Regulations, all the related parties as defined thereunder are prohibited from voting in favour of the resolution as set out at Item No. 6 of this Notice.

Item No. 7

The Members of the Corporation at the 42nd Annual General Meeting (AGM) held on August 2, 2019, approved the issuance of Redeemable Non-Convertible Debentures (NCDs), secured or unsecured and/or any other hybrid instruments (not in the nature of equity shares) which may or may not be classified as being Tier II capital under the provisions of the Housing Finance Companies (NHB) Directions, 2010, for an amount not exceeding ₹ 1,25,000 crore during a period of 1 (one) year from the date of the said AGM. Pursuant to the said authority, the Corporation raised ₹ 47,620 crore by issuance of secured NCDs.

As on March 31, 2020, the outstanding secured NCDs issued by the Corporation was ₹ 1,39,607.75 crore and unsecured NCDs was ₹ 5,000 crore.

In terms of Section 71 which deals with the issue of debentures read with Section 42 of the Companies Act, 2013, which deals with the offer or invitation for subscription of securities of a company on private placement basis read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, a company can make private placement of its securities including NCDs only after receipt of prior approval of its shareholders by way of a special resolution. The Companies (Prospectus and Allotment of Securities) Rules, 2014 further provides that the said special resolution must be passed in respect of all offers/invitations for the NCDs to be issued during a year and such a special resolution is required to be passed every year in case the proposed amount to be raised exceeds the limit as specified in Section 180(1)(c) of the Companies Act, 2013 i.e. if it exceeds the aggregate of paid-up capital, free reserves and securities premium of the concerned company. The NCDs proposed to be issued by the Corporation is likely to exceed the aforesaid limit. In view of the above requirements, the approval of the Members is being sought by way of a special resolution.

The Board of Directors would offer NCDs to such persons as identified under Section 42 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, as stated above, at such time(s) as deemed fit, within the limits prescribed by the Members. These NCDs will be issued for cash either at par or premium or at a discount to face value depending upon the prevailing market conditions.

In case of issuance of secured NCDs, the security would be by way of creating a mortgage on the property of the Corporation and a negative lien on the assets of the Corporation except to the extent of charge created in favour of its depositors pursuant to the regulatory requirement under Section 29B of the National Housing Bank Act, 1987.

Accordingly, the approval of the Members is being sought by way of special resolution authorising the Board of Directors to issue NCDs and/ or any other hybrid instruments (not in the nature of equity shares) which may or may not be classified as being Tier II capital under the provisions of the Housing Finance Companies (NHB) Directions, 2010, for an aggregate amount not exceeding ₹ 1,25,000 crore on private placement basis, in more than one tranche, during a period of 1 (one) year from the date of this AGM.

The Board unanimously recommends passing of the special resolution as set out at Item No. 7 of this Notice, for the approval of the Members.

None of the Directors or Key Managerial Personnel of the Corporation or their relatives, other than to the extent of their shareholding in the Corporation, if any, are in any way, concerned or interested, financially or otherwise, in the resolution as set out at Item No. 7 of this Notice.

Item Nos. 8 and 9

The Reserve Bank of India (RBI), in terms of Para 2.1 of the Circular No. NHB(ND)/DRS/Policy Circular No.71/2014-15 issued by the National Housing Bank on April 22, 2015, whilst approving the acquisition up to 51.20% stake by the Corporation in HDFC ERGO Health Insurance Limited

(HDFC ERGO Health) (formerly Apollo Munich Health Insurance Company Limited) and the subsequent merger of HDFC ERGO Health with and into HDFC ERGO General Insurance Company Limited (HDFC ERGO), subsidiary of the Corporation, directed the Corporation to reduce its shareholding in HDFC ERGO (post merger) to 50% or below within a period of 6 months from the effective date of the merger.

The Corporation currently holds 51.15% in HDFC ERGO Health and 50.48% in HDFC ERGO and based on the share exchange ratio, the Corporation is entitled to 50.58% stake in the merged entity i.e. HDFC ERGO. The merging entities have filed necessary petitions with National Company Law Tribunal (NCLT), Mumbai and are awaiting approval of NCLT.

RBI has also directed the Corporation to reduce its shareholding in HDFC Life Insurance Company Limited (HDFC Life), to 50% or below from its existing shareholding of 51.43%, on or before December 16, 2020.

Regulation 24(5) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) requires listed entities to obtain its shareholders' approval by way of special resolution for disposing of shares in its material subsidiary resulting in reduction of its shareholding to less than fifty percent or cease the exercise of control over the subsidiary, except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal or under a resolution plan duly approved under Section 31 of the Insolvency Code.

Regulation 16(1)(c) of the Listing Regulations defines a material subsidiary as a subsidiary, whose income or net worth exceeds 10% of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year. Further, in terms of the Policy for determining Material Subsidiary Companies of the Corporation, a subsidiary company of the Corporation shall be considered as material, if its income exceeds 10% of the consolidated net income of the Corporation and its subsidiary companies in the immediately preceding accounting year; or its net worth exceeds 10% of the consolidated net worth of the Corporation and its subsidiary companies in the immediately preceding accounting year.

Accordingly, HDFC Life and HDFC ERGO are material subsidiaries of the Corporation. HDFC ERGO would continue to remain a material subsidiary after the merger of HDFC ERGO Health.

In view of the above, the approval of Members of the Corporation is being sought for selling or otherwise disposing off the shareholding of the Corporation in HDFC Life and HDFC ERGO within the stipulated time frame. While the Corporation does not intend to sell shares beyond that what would be necessary to bring down its shareholding till 50% of the paid-up share capital of the respective companies, the Corporation anticipates that its shareholding may be reduced fractionally below 50% on account of allotment of shares to the eligible employees of the respective companies, pursuant to exercise of stock options.

Accordingly, the approval of the Members is being sought by way of special resolutions authorising the Board of Directors of the Corporation (including any committee(s) constituted/to be constituted by the Board, from time to time) to sell, transfer or otherwise dispose off such number of shares held by the Corporation in HDFC Life and HDFC ERGO, which may result in the shareholding of the Corporation being reduced to 50% or below of the paid-up equity share capital of the respective companies.

The Board unanimously recommends passing of the special resolutions as set out at Item Nos. 8 and 9 of this Notice, for the approval of the Members.

Mr. Deepak S. Parekh, Mr. Keki M. Mistry and Ms. Renu Sud Karnad are Directors of HDFC Life and HDFC ERGO. None of the other Directors or Key Managerial Personnel of the Corporation or their relatives, other than to the extent of their shareholding in the Corporation, HDFC Life and/or HDFC ERGO if any, are in any way, concerned or interested, financially or otherwise, in the resolutions as set out at Item Nos. 8 and 9 of this Notice.

By Order of the Board

Ajay Agarwal
Company Secretary
FCS: 9023

MUMBAI
June 19, 2020

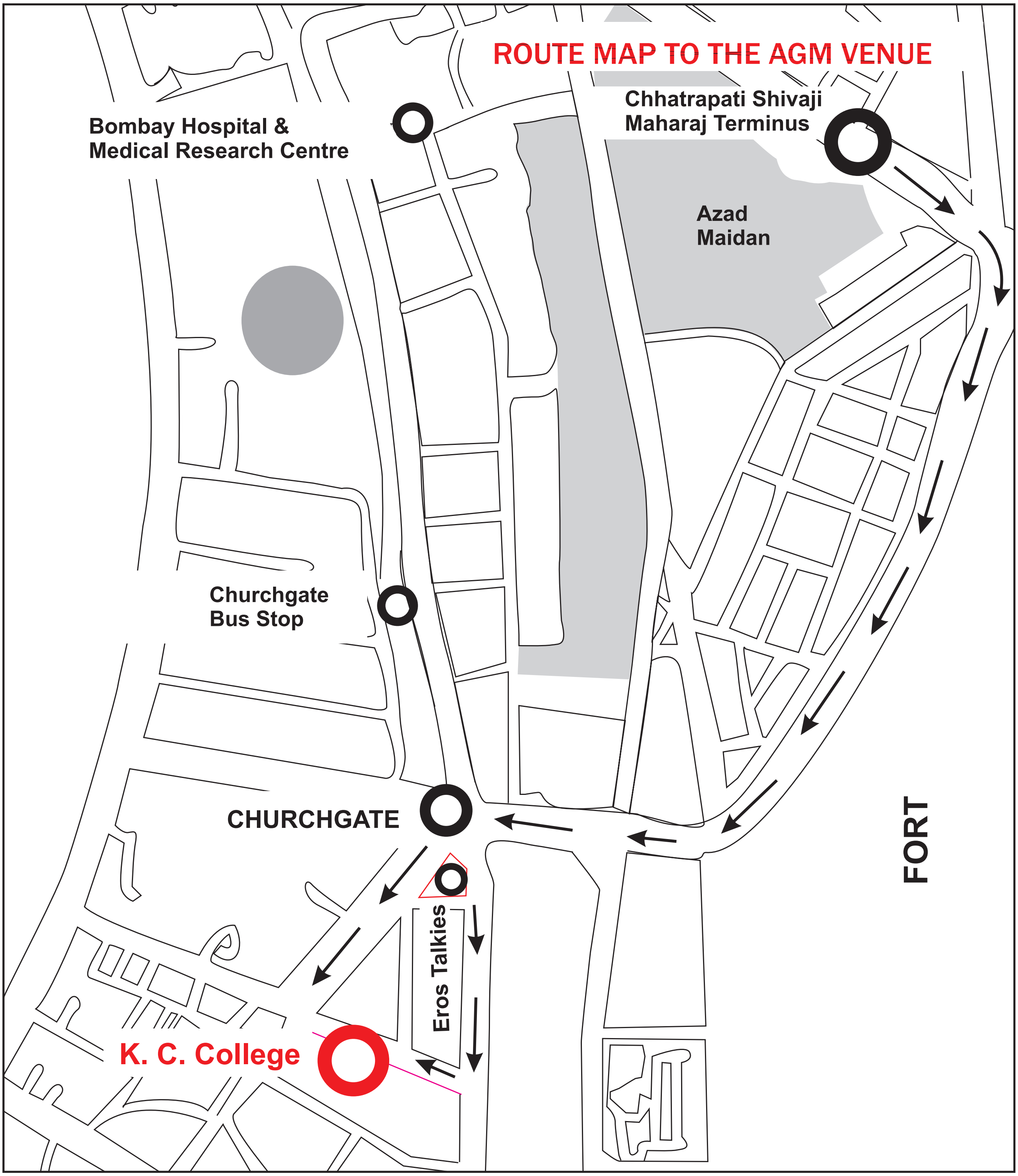
Information with regard to the Directors mentioned in the resolution as set out in this Notice

Resolution No.	**4**	**5**
Name of the Director	**Ms. Renu Sud Karnad**	**Mr. V. Srinivasa Rangan**
Director Identification Number	00008064	00030248
Age	67	60
Nationality	Indian	Indian
Qualification	• Bachelor's Degree in law • Master's Degree in Economics • Parvin Fellow – Woodrow Wilson School of Public and International Affairs, Princeton University, USA	• Bachelor of Commerce • Associate of The Institute of Chartered Accountants of India
Brief Profile	Ms. Karnad joined the Corporation in 1978 and was appointed as the Managing Director with effect from January 1, 2010. She played an important role in the successful transformation of the Corporation into India's leading Financial Services Conglomerate by facilitating the formation of companies including HDFC Asset Management Company Limited, HDFC Life Insurance Company Limited and HDFC ERGO General Insurance Company Limited including few others. She is an expert in finance, strategic planning, marketing, information technology & cyber security, corporate governance, risk management and legal compliances. She has a vast experience in housing finance, real estate and infrastructure sectors. Over the years, Ms. Karnad has had to her credit, numerous awards and accolades. Ms. Karnad is the President of the International Union for Housing Finance (IUHF), an association of global housing finance firms.	Mr. Rangan joined the Corporation in 1986 and has served in Delhi Region and was the Senior General Manager – Corporate Planning & Finance function at head office since 2001. He was appointed as the Executive Director of the Corporation with effect from January 1, 2010. He is responsible for mobilization of funds for the Corporation, investments and asset liability management. Mr. Rangan has worked on international consulting assignments in housing finance in Ghana and Maldives. He has been a member of various committees related to financial services. Mr. Rangan was conferred the "Best CFO in the Financial Sector for 2010" by the Institute of Chartered Accountants of India for exceptional performance and achievements as CFO in the Financial Sector for the year 2010. He has a vast industry experience and is an expert in finance, strategic planning, corporate governance, risk management and legal compliances.
No. of shares held as on March 31, 2020	23,27,922	4,13,775
Terms and conditions of re-appointment	Ms. Renu Sud Karnad is re-appointed as a Director of the Corporation liable to retire by rotation. Further, Ms. Renu Sud Karnad is re-appointed as the Managing Director of the Corporation with effect from January 1, 2020 till September 2, 2022, liable to retire by rotation, upon the terms and conditions including those relating to remuneration more specifically set out in the explanatory statement pursuant to Section 102(1) of the Companies Act, 2013 annexed to this Notice.	Mr. V. Srinivasa Rangan is re-appointed as the Whole-time Director (designated as Executive Director) for a period of 5 (five) years with effect from January 1, 2020 liable to retire by rotation upon terms and conditions including those relating to remuneration more specifically set out in the explanatory statement pursuant to Section 102(1) of the Companies Act, 2013 annexed to this Notice.
Remuneration sought to be paid	Please refer Item No. 4 of the explanatory statement	Please refer Item No. 5 of the explanatory statement
Date of first appointment on Board	May 3, 2000	January 1, 2010

Information with regard to the Directors mentioned in the resolutions as set out in this Notice (contd.)

Resolution No.	**4**	**5**
Name of the Director	**Ms. Renu Sud Karnad**	**Mr. V. Srinivasa Rangan**
Directorships held in other companies	*Equity Listed Companies (HDFC Group Companies)* 1 HDFC Asset Management Company Limited 2. HDFC Life Insurance Company Limited 3. HDFC Bank Limited *Other Equity Listed Companies* 4. ABB India Limited 5. GlaxoSmithKline Pharmaceuticals Limited 6. Unitech Limited (nominee of the Central Government) *Unlisted Companies (HDFC Group Companies)* 7. HDFC ERGO General Insurance Company Limited 8. H T Parekh Foundation (set up by the Corporation as a Section 8 company) *Other Unlisted Companies* 9. Bangalore International Airport Limited *Foreign Companies* 10. HIREF International LLC 11. HIREF International Fund II Pte. Limited 12. HIF International Fund Pte. Limited	*Equity Listed Companies* 1. Atul Limited *Unlisted Companies (HDFC Group Companies)* 2. HDFC Investments Limited 3. HDFC Property Ventures Limited 4. HDFC Trustee Company Limited 5. HDFC Credila Financial Services Private Limited 6. HDFC Education and Development Services Private Limited 7. H T Parekh Foundation (set up by the Corporation as a Section 8 company) *Other Unlisted Companies* 8. Computer Age Management Services Limited 9. TVS Credit Services Limited 10. True North Corporate Private Limited (nominee of the Corporation)
Membership/Chairmanship of committees in other companies	*Audit Committee – Chairperson* Bangalore International Airport Limited *Audit Committee – Member* 1. ABB India Limited 2. HDFC Life Insurance Company Limited 3. GlaxoSmithKline Pharmaceuticals Limited 4. H T Parekh Foundation *Stakeholders Relationship Committee – Chairperson* 1. HDFC Asset Management Company Limited 2. GlaxoSmithKline Pharmaceuticals Limited *Stakeholders Relationship Committee – Member* 1. ABB India Limited 2. Unitech Limited	*Audit Committee – Member* 1. Atul Limited 2. TVS Credit Services Limited 3. HDFC Education and Development Services Private Limited 4. HDFC Investments Limited 5. HDFC Trustee Company Limited 6. H T Parekh Foundation

For other details, such as number of meetings of the Board attended during the year and remuneration drawn in respect of the above directors please refer the Report on Corporate Governance and Form No. MGT-9. None of the Directors and Key Managerial Personnel are related to each other.


ROUTE MAP TO THE AGM VENUE
Chhatrapati Shivaji
Maharaj Terminus
Bombay Hospital &
Medical Research Centre
Azad
Maidan
Churchgate
Bus Stop
CHURCHGATE
FORT
Eros Talkies
K. C. College

HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

Regd. Office: Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020
Corp. Office: HDFC House, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020
Corporate Identity Number: L70100MH1977PLC019916, Phone No.: +91-22-66316000
Website: *www.hdfc.com,* E-mail: *investorcare@hdfc.com*

ATTENDANCE SLIP

(Please hand over this slip at the entrance of the Meeting hall)

Name and Address of the Member	

Folio No./Client ID	
DP ID	

I/We hereby record my/our presence at the 43rd Annual General Meeting of the Members of the Corporation held at Rama & Sundri Watumull Auditorium, K. C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400 020, on Thursday, July 30, 2020 at 2:30 p.m.

Full name of the Member attending the Meeting	
Member's Signature	

Note: In case a physical meeting is convened, your entry to the venue of the meeting will be regulated by this attendance slip.

HDFC

WITH YOU, RIGHT THROUGH

Housing Development Finance Corporation Limited

BUSINESS RESPONSIBILITY REPORT

Eighth Business Responsibility Report 2019-20

HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

BUSINESS RESPONSIBILITY REPORT 2019-20

[Pursuant to regulation 34(2)(f) of the Securities and Exchange Board of India
(Listing Obligations and Disclosure Requirements) Regulations, 2015]

INTRODUCTION

This Business Responsibility Reporting (BRR) is in accordance with the requirement of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the National Voluntary Guidelines (NVG) on Social, Environmental and Economic Responsibilities of Business released by the Ministry of Corporate Affairs, India.

SECTION A :

GENERAL INFORMATION ABOUT THE COMPANY

1	Corporate Identity Number (CIN) of the Company	L70100MH1977PLC019916
2	Name of the Company	Housing Development Finance Corporation Limited (HDFC and Corporation)
3	Registered office address	Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020 India
	Corporate office address	HDFC House, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020 India
4	Website	*www.hdfc.com*
5	E-mail id	*investorcare@hdfc.com*
6	Financial Year Reported	April 1, 2019 to March 31, 2020
7	Sector(s) that the Company is engaged in	HDFC is a housing finance company regulated by the Reserve Bank of India and supervised by the National Housing Bank (NIC Code - 64192).
8	List key products/services that the Company provides	The Corporation's main business is financing by way of loans for the purchase or construction of residential houses, commercial real estate and certain other purposes, in India. All other activities of the Corporation revolve around the main business.
9	Total number of locations where business activity is undertaken by the Company	As per the applicable regulations all lending activities are done only in India.
	(i) *Number of International Locations*	To cater to non-resident Indians and persons of Indian origin, the Corporation has overseas offices in London, Singapore and Dubai. The Dubai office caters to customers across the Middle-East through its service associates.
	(ii) *Number of National Locations*	The Corporation has a pan-India presence. As at March 31, 2020, the Corporation had 585 offices in India including outlets of HDFC Sales Private Limited (HDFC Sales), a wholly owned subsidiary of the Corporation.
10	Markets served by the Company	The Corporation has a pan-India presence. Refer to list of offices, which forms part of the annual report for details.

SECTION B :

FINANCIAL DETAILS OF THE COMPANY

1	Paid-up capital	Rs. 346.41 crore
2	Total turnover	Rs. 58,763.34 crore
3	Total profit after taxes	Rs. 17,769.65 crore
4	Total spending on Corporate Social Responsibility (CSR) as a percentage of profit after tax	Rs. 211.77 crore which was more than 2% of the average net profits of the Corporation during the last 3 financial years, computed as per Section 198 of the Companies Act, 2013. Key areas of CSR activities in FY20 were healthcare and water, sanitation and hygiene (WASH), education and skilling & livelihoods. Further details are provided in the Annual Report on Corporate Social Responsibility Activities 2019-20.
5	List of activities in which expenditure in Sr. No. 4 above has been incurred	The Corporation undertakes various CSR activities in accordance with its policy on Corporate Social Responsibility. Further details are provided in the Annual Report on Corporate Social Responsibility Activities 2019-20.

SECTION C :

OTHER DETAILS

1. **Does the Company have any subsidiary company/companies?**

   Yes. As at March 31, 2020, the Corporation had 18 subsidiary companies and 4 associate companies.

2. **Do the subsidiary company/companies participate in the Business Responsibility (BR) initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).**

   Although the major subsidiary/associate companies have their own BR initiatives and generally do not participate in the BR initiatives of the Corporation, the HDFC Group made a joint commitment to support the Government of India's relief and rehabilitation efforts in managing the health crisis caused by the COVID-19 pandemic. The pandemic has resulted in unprecedented disruption of lives and livelihoods. In this connection, the HDFC Group committed ₹ 150 crore to the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) in March 2020.

3. **Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]**

   The Corporation has processes in place to identify suppliers and standards of conduct which need to be followed by the suppliers. The Corporation recognises that having a diverse supplier base with focus on sustainability strengthens its supply chain which contributes to increased efficiency and innovation to provide an enhanced experience for its customers.

   At present, the number of entities who directly participate in the BR initiatives would be less than 30%. The Corporation plans to increase the participation during the course of the next financial year.

SECTION D :

BUSINESS RESPONSIBILITY (BR) INFORMATION

1. Details of Director/Directors responsible for BR

a) Details of the Director responsible for implementation of the BR policy

1.	DIN Number	00030248
2.	Name	Mr. V. Srinivasa Rangan
3.	Designation	Executive Director

b) Details of the BR Head

1.	Name	Ms. Anjalee Tarapore
2.	Designation	General Manager – Management Services and Investor Relations
3.	Telephone number	+91-22-66316516
4.	E-mail id	*anjalee@hdfc.com*

2. Principle-wise as per National Voluntary Guidelines (NVGs) Business Responsibility Policies

The NVGs on social, environmental and economic responsibilities of business prescribed by the Ministry of Corporate Affairs advocates nine principles referred as P1-P9 as given below:

P1	Businesses should conduct and govern themselves with ethics, transparency and accountability
P2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
P3	Businesses should promote the well-being of all employees
P4	Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised
P5	Businesses should respect and promote human rights
P6	Businesses should respect, protect and make efforts to restore the environment
P7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
P8	Businesses should support inclusive growth and equitable development
P9	Businesses should engage with and provide value to their customers and consumers in a responsible manner

Details on each of the principles are provided in Section E.

Principle-wise Business Responsibility Policies (Yes/No)

Sr. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
		Ethics & Transparency	Product Responsibility	Human Resources	Corporate Social Responsibility	Respect for Human Rights	Responsible lending norms	Public Policy Advocacy	Inclusive Growth	Customer Engagement
1	Is there a policy for	Y	Y	Y	Y	Y	Y	N*	Y	Y
2	Has the policy been formulated in consultation with the relevant stakeholders?	Y (Refer Note a)	Y (Refer Note a)	Y (Refer Note a)	Y (Refer Note a)	Y (Refer Note a)	Y (Refer Note a)	-	Y (Refer Note a)	Y (Refer Note a)
3	Does the policy conform to any national/ international standards? If yes, specify?	Y (Refer Note a)	Y (Refer Note a)	Y (Refer Note a)	Y (Refer Note a)	Y (Refer Note a)	Y (Refer Note a)	-	Y (Refer Note a)	Y (Refer Note a)
4	Has the policy been approved by the Board? If yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	-	N	N
5	Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	-	Y	Y
6	Indicate the link for the policy to be viewed online	Y (Refer Note b)	Y (Refer Note b)	- (Refer Note c)	Y (Refer Note b)	- (Refer Note c)	- (Refer Note c)	-	Y (Refer Note b)	- (Refer Note c)
7	Has the policy been formally communicated to all the relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
8	Does the Company have an in-house structure to implement the policy?	Y	Y	Y	Y	Y	Y	-	Y	Y
9	Does the Company have a grievance redressal mechanism to address stakeholders' grievances related to the policy?	Y	Y	Y	-	Y	-	-	Y	Y
10	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y (Refer Note d)	Y (Refer Note d)	Y (Refer Note d)	Y (Refer Note d)	Y (Refer Note d)	Y (Refer Note d)	-	Y (Refer Note d)	Y (Refer Note d)

**While there is no specific policy outlined for this principle the Corporation, along with its subsidiaries works closely with collective trade and industry associations.*

Principle-wise policies

P1 Ethics & Transparency

The Corporation's Code of Conduct for Employees, Executive Directors & Senior Management, Non-Executive Directors, Direct Selling Agents and Deposit Agents, Code of Conduct for Recovery Agents, Fair Practices Code, Whistle Blower Policy, Policy on Conflict of Interest, Anti-Bribery and Anti-Corruption Policy, Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information and other internal policies elucidate ethical behaviour, transparency and accountability.

P2 Product Responsibility

The Corporation's Fair Practices Code and Most Important Terms and Conditions are based on ethical principles of integrity and transparency and guide this principle. The objective of setting such standards and practices is to foster confidence in the housing finance system.

P3	Human Resources	The Corporation has various policies to support employee well-being. The important ones include the policy on protection of women against sexual harassment at the workplace, policy on health and safety of employees, comprehensive employee health insurance policy, personal accident policy, policy on maternity benefits for female employees, equal opportunity policy, policy on self-education for employees, policy on providing soft loans to employees for purchasing of house, furniture & fixtures, vehicles, sponsoring employees for training & development, leadership development programmes, amongst others.
P4	Corporate Social Responsibility	The Corporation's CSR Policy guides this principle.
P5	Respect for Human Rights	The Code of Conduct details the respect for human rights and supports the principles of the United Nations' Universal Declaration of Human Rights.
P6	Responsible lending norms	The Corporation evaluates environmental and social risks in its lending policies and abstains from lending to environmentally irresponsible projects. In addition, employees are sensitised to prevent wasteful usage of natural resources and conserve energy.
P7	Public Policy Advocacy	While the Corporation may share its expertise to help in the formulation of public policy, it does not directly engage in lobbying or advocacy activities and hence, does not have a specific policy for this purpose.
P8	Inclusive Growth	The CSR policy encompasses activities focused on the marginalised and vulnerable sections of society. In its effort towards inclusiveness, the Corporation also offers specialised housing finance products that cater to the vulnerable and low income segments. These policies are part of the Corporation's lending business.
P9	Customer Engagement	The Code of Conduct, internal policies, benchmarks on customer service and policies as stipulated by the regulators encompass this principle.

Notes:

a. The policies have been developed based on the best practices or as per the regulatory requirements and through appropriate consultation with relevant stakeholders.

b. May include a combination of internal policies of the Corporation which are accessible to all internal stakeholders and policies placed on the Corporation's website.
The hyperlink is *https://www.hdfc.com/investor-services#codes-policies*.

c. The policies of the Corporation are internal documents.

d. The policies are internally evaluated by various department heads, business heads and the management.

3. Governance related to BR

(a) *Indicate the frequency with which the Board of Directors, Committee of the Board or CEO assesses the BR performance of the Company. Within 3 months, 3-6 months, annually, more than 1 year*

The executive directors and senior management of the Corporation monitor various aspects of social, environmental, governance and economic responsibilities of the Corporation on a continuous basis.

The Corporation's business responsibility performance is reviewed by the Board of Directors on an annual basis.

The BR performance of the Corporation is assessed by the following committees: (i) the Audit and Governance Committee, (ii) the Corporate Social Responsibility Committee and (iii) the Stakeholders Relationship Committee.

(b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently is it published?

The Corporation publishes a Business Responsibility Report (BRR) on an annual basis. The BR reports are placed on the Corporation's website. The hyperlink is: *https://www.hdfc.com/investor-relations#annual-reports*.

The Corporation publishes an Integrated Report based on the guiding principles of the International Integrated Reporting Council.

SECTION E :

PRINCIPLE-WISE PERFORMANCE

PRINCIPLE 1 | BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH ETHICS, TRANSPARENCY AND ACCOUNTABILITY

1 Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No. Does it extend to the group/joint ventures/suppliers/contractors/NGOs/others?

Yes. HDFC's governance practices are administered by the Board of Directors and committees involved in managing stakeholder priorities and concerns. Its robust framework ensures that all its daily operations are conducted in a transparent and accountable manner. HDFC's zero tolerance in the matters relating to unethical practices, bribery and corruption has helped it to gain confidence and trust of its stakeholders.

HDFC has formulated and adopted various codes and policies including the Policy on Management of Conflict of Interest and Anti-Bribery and Anti-Corruption Policy in order to prevent any employee of the Corporation to be involved in activities relating to bribery or corruption. These policies facilitate ethical decision making, reinforce HDFC's culture of transparency in business and are continuously updated in line with the dynamic business environment and regulatory norms. These codes and policies are designed to cover employees in all functional areas by adhering to the laws applicable to the Corporation's business including anti-bribery and anti-corruption practices, ethical handling of conflict of interest and prevention of fraudulent practices/transactions against the Corporation. The Corporation's philosophy on ethical values and zero tolerance to bribery and corruption and violations of the principles of fair competition are imbibed by all group companies of the Corporation.

To address the potential conflict of interest that may arise at the time of recommending/approving proposals for investments/granting loans, the Corporation strengthened its guidance mechanism for the directors/senior management. These steps are in line to ensure the highest ethical standards in managing the affairs of the Corporation.

HDFC through its policy on related party transactions along with its pricing policy, aims to ensure that all dealings with related parties are carried out on an arm's length basis, thereby ensuring zero bias.

HDFC ensures compliance of ethical standards by its employees, but also by its vendors and contractors through appropriate clauses in the work contracts signed with them. This includes the code of conduct formulated for its direct selling agents, recovery agents and deposit agents.

Similar to the Corporation, its key subsidiaries also have formulated and adopted their individual codes of conduct for their employees and directors.

2 How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof.

HDFC categorises its stakeholders to include borrowers, agents, depositors, shareholders, debenture holders and staff amongst others. There are various mechanisms in place for recording and redressing complaints raised by each of these stakeholders.

HDFC believes that customers are one of the most important stakeholders and hence it is essential to engage with them, understand their expectations and accordingly, provide the desired service standards. Grievance redressal is considered of paramount importance and the Corporation undertakes adequate measures to redress the grievances. Towards the same, the Corporation upgraded the complaints management technology platform during the year which is equipped to record, monitor and redress grievances/feedback received from the customers and help in maintaining high service standards.

Following are the salient features of HDFC's complaint management system:

1. **Easy upload and creation of complaints**

   All complaints received from the website, emails and social media are auto uploaded on the complaint management platform. Complaint letters are scanned and uploaded by the central team and branch employees. Complaints received from the regulator, National Consumer Helpline and the Government of India are downloaded from their respective platforms and assigned by the central team.

2. **Verification of customer credentials, customer information security**

   The customer credentials are verified before complaints are posted from the website. This is done using one time password (OTP) which is sent to the customer's email or mobile number. On social media, customer's credentials are verified using direct message and then sending a communication to the registered email for verification. This ensures only genuine customers post complaints. Response to customer complaints is sent to the registered email to ensure customer information security.

3. **Complaint ID acknowledgement mail and advisory to customers**

   When complaints are uploaded on the complaint management platform, an acknowledgement email is sent immediately to the customer informing the customer about the complaint ID and communicating that the customer should expect first response within 3 working days.

4. **Assignment of Complaints**

   Complaints are internally assigned depending on the category of the complaint. HDFC has an assignment matrix that helps reducing turnaround time (TAT) for resolution of complaints as it directly gets assigned to employees who needs to address the same.

5. **Monitoring and Analysing Complaints**

   The central team monitors pendency and quality of responses to complaints. MIS and analysis of complaints are sent to appropriate authorities giving feedback to facilitate corrective action and suggestions of process and policy improvement.

6. **Customer feedback**

   Feedback on satisfaction of complaint resolution is taken to ensure improvement in quality of response and complaint management.

   Further, HDFC has in place a Corporate Whistle blower Initiative (CWI) portal, a third party web-based reporting initiative which provides a secure and confidential platform to report genuine concerns including concerns about unethical behaviour, actual or suspected fraud or violation of HDFC's Code of Conduct or ethics policy. CWI portal can be accessed by all stakeholders by logging onto the portal *www.cwiportal.com*. Each concern lodged will generate a unique tracking number through which the concerned whistle blower can track/view the feedback/response against his/her concern raised.

Details of the stakeholder complaints received during the FY20 and pending as on March 31, 2020 are as under:

Sr. No.	Nature of complaints	No. of complaints received during the year	Pending
1	Complaints received from home loan customers and depositors	25,446 ** (0.61% of the customer and depositor base)	24*
2	Investor complaints	4	0
3	Complaints received under CWI Mechanism	34	5

**The number of complaints are not comparable with that of the previous year owing to the national lockdown announced in March 2020 to prevent the spread of COVID-19.*

*** Requests pertaining to moratorium and Credit Linked Subsidy Scheme are excluded.*

PRINCIPLE 2 | BUSINESSES SHOULD PROVIDE GOODS AND SERVICES THAT ARE SAFE AND CONTRIBUTE TO SUSTAINABILITY THROUGHOUT THEIR LIFE CYCLE

1. List up to 3 products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

- The Corporation is a pioneer in retail housing finance in India. It is the first Indian financial institution to fund individuals to enable them to become homeowners. The Corporation has cumulatively financed 7.7 million housing units in the country. HDFC seeks to work with real estate developers that promote the use of innovative technologies such as green buildings and other energy efficient measures for construction of their projects. HDFC has always emphasised on exploring opportunities of collaboration with partners in ensuring conservation of energy and resources. HDFC encourages the usage of environmentally friendly building materials from the local building centres as a part of its low-income housing initiatives.
- HDFC continues to be committed to inclusive housing finance and also facilitating the 'Housing for All' initiative of the Government of India. HDFC provides a range of home loan products to cater to all segments of society. For instance, HDFC Reach loans aim at addressing the housing finance needs of customers belonging to the unorganised sector having sufficient income, but having limited documentation such as shopkeepers, carpenters, drivers and contractors. Apart from home loans, HDFC also extends small funding lines to upcoming ventures and self-employed customers.
- The Corporation has remained steadfast in its continued efforts towards lending to the Economically Weaker Section (EWS), Low Income Group (LIG) and Middle Income Segments (MIG). The Corporation has the largest number of home loan customers. Approximately 1.73 lac beneficiaries availed benefits under the Credit Linked Subsidy Scheme (CLSS) – a component of the Pradhan Mantri Awas Yojana, the government's flagship 'Housing for All' scheme. Further, the Corporation offers lower interest rates to women seeking loans with a view to empower them and encourage them to be financially independent. As at March 31, 2020, cumulative loans disbursed by the Corporation under CLSS stood at ₹ 29,026 crore.
- Towards facilitation of rural housing, HDFC provides housing finance facilities to farmers, agriculturists, planters and horticulturists. HDFC has also played an important role in establishing housing finance companies in nascent housing finance markets in Africa and Asia.

2. For each product, provide the following details in respect of the resource use (energy, water, raw material etc.) per unit of product(optional):

I. Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain?

As per regulatory norms, housing finance companies are restricted from directly undertaking any construction activity. However, a vigorous technical assessment of properties and projects financed by HDFC is a critical part of its approval and disbursement procedures. The Corporation's lending is based on its Responsible Lending Policy.

Given that the Corporation is a financial services provider, one of the major resources consumed by the Corporation is paper. HDFC promotes the use of electronic means of communication with its stakeholders. It encourages the use of electronic mode of payment to and from all its stakeholders. Soft copies of the Annual Report 2018-19 alongwith the notice convening the 42nd Annual General Meeting and the dividend e-payment advice were sent to over 2.47 lac shareholders so as to minimise the usage of paper. HDFC also has an online portal to provide a user-friendly and frictionless approach to the home loan approval process.

HDFC uses kiosks at trade fairs and property exhibitions. These kiosks facilitate electronic filing of loan application forms and directly links the data of potential customers to its loan processing system.

II. Reduction during usage by consumers (energy, water) has been achieved since the previous year.

HDFC regards climate change mitigation and environmental conservation as essential elements of a sustainable business and has taken several initiatives towards digital loan processing, renewable energy, waste management and energy reduction. Hence, the focus is to limit the dangers attributable to growing effects of climate change.

Special efforts had been made during the design stage of HDFC's corporate office to ensure abundant natural light across the work area, thereby reducing electricity consumption. HDFC promotes the use of energy star equipment and uses systems that conserve power.

The interiors of the corporate office building are based on guidelines from the Leadership in Energy and Environmental Design Council (LEED). HDFC's corporate office building achieved LEED Gold Certification under the LEED for Commercial Interiors Rating System. All parameters are maintained to continue LEED Gold Certification.

HDFC has also undertaken other initiatives and energy efficient measures at its office premises such as use of occupancy sensors, reduction of light power density by using LED light fittings and provision of centralised waste collection. At most of its offices across India, there are LED light fittings to conserve energy.

For certain premises, HDFC has installed solar power roof panels to save grid power as a green initiative. These solar power panels consist of Solar PV modules which generate DC electricity on sunny days. The installed system is capable of recording the number of units of solar power generated and also facilitates the storage of data for future reference. The system has been examined and certified by an inspector from the Ministry of New & Renewable Energy, Government of India. This initiative has resulted in saving ~ 4,000 KWH every month and the system is maintained to get the same output in future. Additionally, HDFC has also adopted the practice of switching off lights at workstations, when not in use.

HDFC has also installed Automatic Power Factor Control panels in junction/distribution boards to reduce power distribution losses. Sensors are installed in office washrooms to economise power and water consumption only when these facilities are being used. Employees of HDFC are encouraged to save electricity by using the staircase instead of elevators.

While the Corporation sensitises its employees and customers to conserve energy and water, it does not specifically capture data on such reduction.

3. Does the company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof.

Yes. The Corporation endeavours to use environmentally friendly materials with higher recycle content, such as green guard rated furniture and gives regional priority to material purchases of such recycled products.

The Corporation has also provided transport facility/car-pooling viz. bus/jeep facility in some of its offices which helps in cutting down the number of cars and vehicles on the road. These efforts contribute to ensuring a more sustainable environment by way of minimising the carbon emission and air pollution.

4. Has the company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

Given that the Corporation has a pan-India presence, the offices generally procure office utilities and other items required in the normal course of operations from local vendors. However, as per the Corporation's policies, standard procurement norms and procedures have to be adhered to.

5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof.

The Corporation is a housing finance company. The key waste products of the Corporation primarily entail paper and electronic waste. Aligning with the United Nations Sustainable Development Goal of achieving sustainable management and efficient use of natural resources, the Corporation is constantly on the look-out for opportunities to recycle waste. The wastes generated through the Corporation's operations are e-waste, dry waste (primarily paper waste) and wet waste (primarily from the cafeteria).

HDFC has embraced an e-waste management system. The waste generated at the Corporation's offices is managed as per the waste disposal process. HDFC engages with certified e-waste handlers for disposal of e-waste and uses local vendors for disposal of paper for recycling. HDFC ensures that the domestic waste (sewage) from offices and branches are not let into water bodies. HDFC's computer systems and electronic wastes are gathered at the branch level. HDFC has tied up with an e-waste recycling vendor who picks up the e-waste and disseminates various parts using CRT cutters, cable strippers and plastic shredders at their facility. They then segregate them on the type of materials and send for recycling or safe disposal as per the green norms.

The Corporation also ensures that any equipment and material which are redundant at certain offices are diverted to locations where the same would be brought to use.

During the year, the Corporation put in place mechanisms at its offices to recycle paper, plastic and other solid waste. The sale value of the paper scrap is donated to Cancer Patients Aid Association.

PRINCIPLE 3 | BUSINESSES SHOULD PROMOTE THE WELLBEING OF ALL EMPLOYEES

As at March 31, 2020

1	Total number of permanent employees	3,095
2	Number of employees on temporary/ contractual/casual basis	2,194
3	Number of permanent women employees	791 The female:male ratio stood at 26:74. The Corporation maintains a gender inclusive environment and believes in equal opportunities at the workplace.
4	Permanent employees with disabilities	The Corporation upholds the importance of being an equal opportunity employer and hence makes no distinction between employees based on disabilities. HDFC has also framed an "Equal Opportunity Policy" in accordance with the provisions of the Rights of Persons with Disabilities Act, 2016 and the rules framed thereunder and provide a framework which is committed towards the empowerment of persons with disabilities.
5	Is there an employee association that is recognised by management?	No. However, HDFC recognises the right to freedom of association and does not discourage collective bargaining.
6	Percentage of permanent employees that are members of this recognised employee association	Not applicable

1. Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

Sr. No.	Category	No. of complaints filed during the financial year	No. of complaints pending as at the end of the financial year
1	Child labour/forced labour, involuntary labour	Nil	Nil
2	Sexual harassment	2	Nil
3	Discriminatory employment practices	Nil	Nil

2. What percentage of employees were given safety and skill up-gradation training in the last year?

HDFC has always believed that its employees are its most valued resource and hence, has always ensured their all-round development through regular training and leadership programmes. The human resources development department ensures that employees are sufficiently trained in functional and behavioural skills to ensure high standards of service to internal and external stakeholders.

These training programmes are based on the needs identified, competency or job specific knowledge, skills and attitude gaps identified during the performance appraisal process and through discussions. At times, customer feedback also acts as a base to identify learning and development needs.

HDFC nominates staff for self-development and leadership programmes to enhance their effectiveness. On-the-job training, job rotation or internal, external or international trainings are offered to employees to upgrade their competencies. HDFC has a training centre in Lonavala, Maharashtra 'Centre for Housing Finance' where newly inducted employees are given training about various products, services, functions of the Corporation.

Leveraging technology, many of the classroom programmes have been delivered online through an e-learning platform called "HDFC Aspire" which allows employees to enhance their knowledge on products, policies and processes. Various knowledge enhancing courses were launched during the year on functional areas like overview on Rural Housing Finance, Overview on Technical Appraisal, Information and Cyber Security Awareness, Email Security and Code of Conduct which were very well received by the participants. Virtual classroom initiatives have also been undertaken to blend and enhance the learning processes. Other programmes conducted during the year include those on Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, leadership, mentoring, train the trainer and soft skills like negotiation, communication, amongst others.

Given below are the details of training imparted during the year:

1	Permanent employees to whom training has been imparted	3,150*
2	Total training man days per employee	7.75
3	Permanent women employees to whom training has been imparted	821

**Includes training given to employees who have resigned/retired during the year.*

For HDFC, safety of its employees is of paramount importance and as a good corporate citizen, it is committed to ensuring safety of all its employees at the workplace. The Corporation has in place a policy on health and safety of employees. Periodic communication and alerts are sent out to employees and awareness sessions are conducted on safety related aspects. Employees including those at branches were given periodic training on basic and advanced fire safety including evacuation drills. HDFC has tie-ups with vendors to educate and demonstrate use of fire-fighting equipment. HDFC has also conducted a workshop on Cardio Pulmonary Resuscitation (CPR) where participants were trained to attend to emergencies in case of heart attack, cardiac arrest and stroke. During the year, there were no accidents of any employee of the Corporation while on duty.

The Corporation has always prioritised the safety of its employees and in view of the recent COVID-19 pandemic, the Corporation took necessary precautions at all the offices, which included sanitisation of the office premises, removal of biometric scanners, installation of thermal scanners, daily communication updates, restricted movements in common areas, closure of recreational facilities and avoidance of large gatherings. The Corporation also adhered to all the government directives and issued travel and health advisories to its employees and advised all its employees to work from home to ensure employee safety and business continuity.

Sensing the growing unease of COVID-19 pandemic the Corporation much prior to the national lockdown arranged for a group talk by a renowned doctor wherein the speaker offered valuable insights on precautions to be taken to prevent the spread of COVID-19 pandemic and how to protect oneself. The video recording of the same was made available to all employees across the country.

The Corporation has also prepared a handbook "Back to Office" providing tips on the Do's and Don'ts to equip and protect employees when they resume work in office, in accordance with directives issued by the central and respective state governments in India. The office infrastructure and set-up was adjusted to meet social distancing norms and a database is maintained on the branches opened, staff attendance and record of visitors and the purpose of the visit. A daily report on these developments is shared with the senior management.

PRINCIPLE 4 | BUSINESSES SHOULD RESPECT THE INTERESTS OF AND BE RESPONSIVE TOWARDS ALL STAKEHOLDERS, ESPECIALLY THOSE WHO ARE DISADVANTAGED, VULNERABLE AND MARGINALISED

1. **Has the company mapped its internal and external stakeholders? Yes/No**

   Yes. For more details on the internal and external stakeholders of the Corporation, refer to the Integrated Report which is available on the Corporation's website, *www.hdfc.com*.

2. **Out of the above, has the company identified the disadvantaged, vulnerable and marginalised stakeholders?**

   The Corporation fully endorses and supports the government's endeavour towards its flagship scheme, "Affordable Housing for All." Towards this goal, the Corporation has given housing loans to customers categorised as 'economically weaker section' and 'low income group', under various schemes of the government. Additionally, HDFC is undertaking a project by partnering with an experienced NGO to supply safe and clean drinking water to slum communities at affordable rates, thereby assisting them to alleviate water borne diseases and reduce health costs.

   The Corporation's CSR activities focus on the disadvantaged, vulnerable and marginalised segments of society.

   For more details on HDFC's work with the disadvantaged, vulnerable and marginalised stakeholders, refer to the Report on Corporate Social Responsibility Activities which forms part of the Annual Report.

3. **Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalised stakeholders. If so, provide details thereof.**

   Yes. The Corporation continues to support a range of social interventions and development initiatives (irrespective of the size of the implementing agency) to facilitate a deep and long-term impact for a developed and inclusive society.

   HDFC has supported and funded social initiative projects like premises for educational purpose, hostel blocks and senior citizen housing. Senior citizen projects provide an opportunity to people aged 60 and above to live with dignity in their own home, in a community of like-minded people and are provided with all amenities and medical support.

   In May 2019, 440 employees of HDFC and its group companies volunteered for *"Shramdaan"* in 4 drought prone villages in Maharashtra. The employees dug and ploughed using pickaxes and spades to create reservoirs, creating farm ponds, building bunds, trenches, check dams and soak pits. Further, another 84 employees from the Nagpur branch of the Corporation participated in the "Mahashramdaan" in association with the H T Parekh Foundation (a Section 8 registered charitable institution set up by HDFC in 2012) and Paani Foundation and contributed towards the cause of 'Save Water-Save Life' wherein they made small reservoirs in order to harvest rainwater.

   The Corporation along with ResponseNet, a not for profit organisation had organised a food donation drive to fight hunger where the employees of the Corporation collected 1,789 kgs of food to feed about 10,000 meals to children.

   A blood donation drive was conducted at the offices of the Corporation during the year where employees of the Corporation participated wholeheartedly to support the noble cause.

   HDFC also has in place a crèche facility at its head office and branches for children of its female employees up to the age of three years.

PRINCIPLE 5 | BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS

1. **Does the policy of the Company on human rights cover only the company or extend to the group/joint ventures/suppliers/contractors/NGOs/others?**

   HDFC upholds the principles of being an organisation that respects human rights, is non-discriminatory amongst employees and provides for a redressal mechanism to the key constituents that it deals with. HDFC's Code of Conduct respects and promotes human rights.

   HDFC complies and adheres to all the human rights laws and guidelines of the Constitution of India, national laws and policies and treats all its stakeholders and customers with dignity, respect and due understanding. HDFC strives to be just, patient and understanding while dealing with delinquent customers who have availed housing loans. HDFC has also put in place an internal culture and work ethics where delinquent customers are treated with fairness.

   While the key subsidiary and associate companies of the Corporation have their own independent policies, they all respect and promote human rights.

2. **How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

   During the year under review, the Corporation did not receive any complaint in the nature of human rights violation from any stakeholder.

PRINCIPLE 6 | BUSINESS SHOULD RESPECT, PROTECT, AND MAKE EFFORTS TO RESTORE THE ENVIRONMENT

1. **Does the policy related to Principle 6 cover only the company or extends to the group/joint ventures/suppliers/contractors/NGOs/others?**

   HDFC promotes ecological sustainability and green initiatives such as recycling paper and other waste material by having eco-recycle bins for electronic waste. Besides adopting energy saving mechanisms, employees are sensitised towards making efforts to reduce the carbon footprint of the Corporation.

   Employees are encouraged to use electronic medium of communication as far as possible to reduce usage of paper. During the year, HDFC employees participated in a tree plantation drive, upholding the spirit that everyone's footprint matters and everyone can help and play a part in protecting the environment.

   While the key subsidiary and associate companies of the Corporation have their own independent policies, they all respect, protect and make efforts to restore the environment.

2. **Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Yes/No. If yes, please give hyperlink for webpage etc.**

   HDFC recognises the risks arising from climate change such as extreme weather conditions and its impact on housing and therefore the ability of borrowers to service the loans.

   Further, on rural housing, HDFC does not allow use of asbestos sheets and encourages usage of corrugated galvanised iron sheets. For low cost housing, HDFC encourages the NGOs to procure environment friendly building materials from the local building centres. HDFC as a policy, finances only self-contained tenements which provide for toilets/sanitation within the housing unit. This leads to a cleaner environment and reduces health hazards in villages.

   During the year, HDFC supported "The Plastic Recyclothon" campaign which in order to extend support to the campaign initiated by the Honourable Prime Minister of India to eliminate single use plastic by 2022.

   In order to catalyse the efforts in this initiative of reducing plastic waste, the Corporation discontinued the usage of bottled mineral water at the offices to create a more plastic free environment and a greener planet for the future generations.

   During the year, HDFC intensified its efforts towards monitoring its carbon footprint and is working with an external environmental agency on the same.

3. **Does the company identify and assess potential environmental risks? Yes/No**

   Yes.

4. **Does the company have any project related to Clean Development Mechanism? If so, provide details thereof. Also, if Yes, whether any environmental compliance report is filed?**

   Not applicable.

5. **Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc.?**

   In line with the corporate strategy of conservation of the valuable resources and green initiatives, HDFC makes an effort to support developers undertaking energy efficient real estate projects. Till date, three-fourths of HDFC's lease rental discounting portfolio have been certified as green buildings by either the Indian Green Building Council or Leadership in Energy and Environmental Design.

   The Corporation encourages its retail customers to use digital services thereby reducing paper prints and branch visits for availing services.

   HDFC has extended finance to gated community projects that promote the walk-to-work concept and help to achieve work-life balance for the residents.

6. **Are the emissions/waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

   The Corporation complies with requisite environmental regulations in respect of its premises and operations.

7. **Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.**

   There were no show cause/legal notices received from CPCB/SPCB during the FY20.

PRINCIPLE 7 | BUSINESSES WHEN ENGAGED IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A RESPONSIBLE MANNER

1. **Whether the company is a member of any trade and chamber or association? If Yes, name only those major ones that the business deals with:**

HDFC is a member of *inter alia* the following chambers and associations:

- Bombay Chambers of Commerce and Industry
- Confederation of Indian Industry
- Federation of Indian Chambers of Commerce and Industry
- Bombay Management Association
- Indo-German Chamber of Commerce
- Indian Merchants' Chamber
- International Union for Housing Finance
- National Real Estate Development Council
- Association of Financial Professionals in India

Representatives of HDFC are members of the committees of these industry bodies. HDFC regularly offers its inputs to these associations for the advancement and improvement of housing finance in India.

HDFC will continue to support and advocate for the further development of housing industry, as its primary objective is to enhance residential housing stock in the country.

2. **Has the Company advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)**

HDFC executives have, over the years, played a key role in formulating national housing policies and strategies at a national level. Recognising HDFC's expertise, regulators, industrial bodies and governments have invited HDFC's executives to join a number of committees and task forces related to financial sector reforms, housing finance, infrastructure development, capital markets and corporate governance. Members of the senior management of HDFC are associated with various committees constituted by the government, regulators and industry bodies from time to time including for the purpose of legislating regulations related to capital markets and corporate governance.

The above, however, has been in the nature of using expertise to help shape public policy, primarily in the areas of corporate governance, economic reforms, inclusive development, housing and housing finance. As such, the Corporation does not take part in any lobbying.

HDFC makes various recommendations/representations before regulators and associations regarding the new enactments that impact the Corporation, housing finance industry and other related areas.

PRINCIPLE 8 | BUSINESSES SHOULD SUPPORT INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

1. Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes, provide details thereof.

HDFC undertakes a significant portion of its development and welfare activities through the H T Parekh Foundation. During FY20, HDFC and the H T Parekh Foundation continued their commitment towards creating positive societal impact by partnering with and supporting institutions and projects that nurture inclusive growth and equitable development. This has resulted in the Corporation, deepening its ties further in the focus areas of healthcare and WASH, education and skilling & livelihoods. Additionally, support for disability cuts across all the 3 focus sectors.

In healthcare, the main interventions have been towards providing quality and affordable healthcare to the most marginalised by (i) improving access to nutrition for undernourished children and lactating mothers (ii) enhance and support cancer preventive programmes (iii) early detection and treatment for all forms of avoidable blindness (iv) support for paediatric surgeries for critical illnesses and (v) access to sanitation in urban slum communities, schools and public areas.

HDFC's education partnerships have focused on collaborating with institutions at various levels that foster overall development of children through (i) early childhood education interventions (ii) capacity building of government school teachers and foundational learning programmes for children (iii) training in life and vocational skills for youth to make them work ready (iv) inclusive education for children with disabilities and (v) supporting the development of model institutions that are inclusive and serve as a benchmark for other educational institutes across India.

Under skill development, the support focused on thematic areas to include women, persons with disabilities and vulnerable migrants through (i) promoting employable skill programmes for the economic empowerment of women (ii) training and skilling of construction workers and (iii) training and inclusion of persons with disabilities into the economic workforce.

Other interventions taken up during the year include support for senior citizen homes, support for Olympic athletes including para-athletes and environmental programmes supporting solid waste management, plastic recycling and ecological restoration for urban and rural communities.

2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organisation?

HDFC undertakes a majority of its social welfare activities through the H T Parekh Foundation, which is a grant making Foundation. The Foundation supports non-profit organisations in the medium to long term, across all its focus sectors.

3. Has the company done any impact assessment of its initiative?

Monitoring and evaluation of projects is undertaken by the Foundation team internally, which includes physical site visits, receipt of quarterly/half yearly reports from the implementation partners on the progress of the projects and evaluation against planned project objectives. In select projects, depending on size and the number of years that the project has been in progress, third party evaluators have been appointed by the implementing partners to undertake impact assessment. The reports and findings of the third-party evaluators have been discussed and shared with HDFC.

4. What is the company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?

Please refer to the Corporation's Annual Report on Corporate Social Responsibility Activities FY20. During FY20, HDFC supported several community development projects which include:

1. Support for flood relief and rehabilitation towards the devastating floods in Kerala in August 2018. HDFC partnered with two community-based organisations in late 2018 towards the rebuilding efforts of homes in severely affected areas of Kerala. HDFC has supported the construction of 75 disaster resilient houses for families belonging to the lower socio-economic groups, in the worst affected villages of Kanayannur and Paravoor blocks of Ernakulam district and Kuttanad block of Alleppey District. The project was started in January 2019 and was completed and houses handed over to the families in December 2019. Additionally, HDFC also contributed to the Prime Minister's National Relief fund, as a measure of solidarity to support the central government for disaster relief, flood across various states in July and August 2019.

2. HDFC continued its support for community-led and public sanitation programmes with a focus on urban areas. The projects included constructing individual household toilets as well as refurbishment of public toilet facilities. With the increase in the number of toilets in cities over the last few years, treatment of faecal waste has emerged as a major need. In FY20, HDFC started working in this area to set up faecal sludge treatment plants in Hyderabad (Telangana), Kolhapur and Satara (Maharashtra) in partnership with the local urban bodies and technical institutes like Centre for Environmental Planning and Technology (CEPT) and Administrative Staff College of India (ASCI).

3. HDFC worked across communities through partner organisations to promote environmental sustainability by focusing on waste management and recycling in the tourist hotspot of Dharamshala, Himachal Pradesh, a plastic recyclothon project carried out across Mumbai and an afforestation-based livelihood project with communities in the Balipara forest reserve of Assam.

4. HDFC also supported a unique project in Ahmedabad, Gujarat for the improvement and redevelopment of the public realm area called *'Dhal ni Pol'*, one of the oldest heritage precincts, which marks the genesis of the city of Ahmedabad (a UNESCO World Heritage site). The pilot project will be carried out over 2 years with HDFC's partner Gujarat Mahila Housing SEWA Trust (a part of the SEWA Group), for civic infrastructure improvement and heritage restoration within the Pol, which houses over 200 families. With the civic infrastructure upgrade, approximately 1,000 households in the neighbourhood will additionally get benefitted.

5. Has the company taken steps to ensure that this community development initiative is successfully adopted by the community?

Yes. The community for which the development initiatives are implemented are at the centre of the planning and execution strategy. HDFC's implementation partners, community leaders, volunteers are all a part of the on-ground implementation of these initiatives, right from the need assessment stage. Stakeholder discussions, training and sensitisation workshops for members of the community are critical components across all community development projects and similar practices are followed in our projects as well. Regular feedback from all stakeholders is taken and monitoring of the community development initiatives helps in making further modifications, plans to the initiatives as per the emerging needs and patterns.

As mentioned above, HDFC supported a project in Ahmedabad for the restoration of *'Dhal ni Pol'*. Community members and local residents were involved in the project from the beginning and played a crucial role in its implementation. Upon completion, the women from the community will be leading guided tours within the heritage precincts to explain their culture and heritage and thereby enhance their family income.

In Trichy, Tamil Nadu, where HDFC has supported the refurbishment of public/community toilets, the local community volunteers have come forward to take responsibility of sensitisation and behaviour change workshops for all the users of the slum community. HDFC's implementation partner Gramalaya, will be training the volunteers on conducting such awareness workshops.

PRINCIPLE 9 | BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CUSTOMERS AND CONSUMERS IN A RESPONSIBLE MANNER

1. What percentage of customer complaints/consumer cases are pending as at the end of the financial year?

The Corporation has resolved 99.4% of complaints received from customers and 100% of investor complaints received during the year.

2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. / Remarks

HDFC has always believed in being transparent with its customers by providing all the relevant details. HDFC also has documents such as 'Most Important Terms and Conditions' (MITC) which is displayed prominently in each office and on the website of the Corporation with information on service charges, interest rates, product information, service standards for various transactions and grievance redressal mechanisms for its home loan customers. All potential customers are required to read and sign-off the same along with their application forms. MITC is also available in braille to cater to needs of visually impaired customers.

Further, whenever the Retail Prime Lending Rate is changed by the Corporation, communication on the same is sent to all retail loan customers via email or SMS alerts. An intimation to the stock exchanges is also made regarding the same.

Interest rates on deposits are published on the website of the Corporation for various deposit schemes.

3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year? If so, provide details thereof.

No.

4. Did the company carry out any consumer survey/ consumer satisfaction trends?

HDFC is committed to providing effective and prompt service to its customers. HDFC provides for a feedback mechanism on its website to allow stakeholders to leave their comments/queries. Similarly, a response mechanism has been put in place for prompt response to the queries, complaints and service requests of customers received through the social media platforms.

In addition to this, customer's feedback regarding their experience and service standard is being taken at various stages of their loan. The Corporation also takes the feedback after resolution of the complaints to understand customer's satisfaction with the service recovery.

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