150 YEARS OF CELEBRATING THE MAHATMA

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HUDCO/CS/SE/2020

26th June, 2020

Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400001
Scrip Code- 540530

Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E)
Mumbai - 400051
NSE Symbol- HUDCO

Sub: Reporting of material information regarding Modifications/ Additions in Accounting Policy.

Dear Sir/ Ma'am,

In compliance of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform you that Board its meeting held on today i.e., 26th June, 2020 has approved modification in the existing accounting policy and addition of accounting policy pertaining to 'Leases and its estimates' having clarificatory changes only, for the financial year 2019-20.

The modified accounting policies are enclosed herewith as Annexure-A.

The above is submitted for your information and dissemination.

Thanking you

Yours faithfully
फॉर **हाउसिंग एंड अर्बन डेवलपमेंट कॉर्पोरेशन लिमिटेड**

हरीश कुमार शर्मा
कंपनी सेक्रेटरी एंड कंप्लायंस ऑफ़िसर

Encl. as above

Annexure-A

Modification/ Addition in the Significant Accounting Policy (Ind AS)

1. Statement of Compliance

The standalone financial statements of the Company have been prepared in accordance with Ind AS notified under the companies (Indian Accounting Standard) Rules 2015 (as amended). The date of transition to Ind AS is 1st April 2017.

2. Leases

Company as a lessee

(i) The Company recognizes a right-of- use asset and a lease liability at the lease commencement date. The right of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date , plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(ii) The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use-asset or the end of the lease term. The estimated useful life of the right-to-use asset is determined on the same basis as those of property, plant and equipment. In addition, the right-to-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(iii) The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

(iv) The lease liability is measured at amortized cost using the effective interest method, it is remeasured when there is a change in future lease payments from a change in an index or rate. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right -of-use asset, or is recorded in the profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

(v) The Company presents right-of-use asset that do not meet the definition of Investment property in the "Right of use assets" separately on the face of the Balance sheet and lease liabilities in "other financial liabilities" in the Balance Sheet.

(vi) Short term Lease and Leases of low value assets: - The Company has elected not to recognize right-of-use asset and lease liabilities for short term leases that have lease term of 12 months or less and leases of low value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all the risk and rewards incidental to the ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not then it is an operating lease. As part of the assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognizes lease payments received under operating lease as income on a

straight-line basis over unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases as part of "Rental Income".

3. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and financial liabilities i.e. Loans and advances, Equity investments, Derivative financial instruments and all other financial assets and liabilities are recognised initially at fair value plus or minus transaction costs that are attributable to the acquisition or issue of the financial asset or financial liability except in the case of financial assets or financial liability recorded at fair value through profit or loss where the transaction cost are charged to profit and loss.

Subsequent measurement

(a) Non-derivative financial instruments

(i) Financial assets carried at amortised cost

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Financial assets at fair value through other comprehensive income

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Further, in cases where the Company has made an irrevocable election based on its business model, for its investments which are classified as equity instruments other than which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL, the subsequent changes in fair value are recognized in other comprehensive income.

(iii) Financial assets at fair value through profit or loss

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

(iv) Equity Investments

All equity investments in scope of Ind AS 109 are initially measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies are subsequently measured at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in

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the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.
If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

(v) Financial liabilities

Financial liabilities are subsequently carried at amortised cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate the fair value due to the short maturity of these instruments.

(b) Derivative financial instruments

The Company holds various derivatives to mitigate the risk of changes in exchange rates on foreign currency exposures as well as interest fluctuations including foreign exchange forward contracts, currency and interest rate swaps. The counterparty for these contracts is generally a bank.

(i) Financial assets or financial liabilities, at fair value through profit or loss

This category has derivative financial assets or liabilities which are not designated as hedges. Any derivative that is not designated a hedge is categorized as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognized initially at fair value and attributable transaction costs are recognized in net profit in the Statement of Profit and Loss when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in Statement of Profit and Loss. Assets/liabilities in this category are presented as financial assets/financial liabilities if they are either held for trading or are expected to be realized within 12 months after the balance sheet date.

De-recognition of financial instruments

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and transfer qualifies for de-recognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognised from the Company's balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

4. <u>Impairment</u>

Financial Assets

The Company recognises loss allowance for Expected Credit Loss (ECL) on a financial asset broadly in accordance with the principles laid down in IndAs 109. The Company compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition and based on the reasonable and supportable information, that is available and is indicative of significant increases in credit risk since initial recognition. The risk of default occurring on the financial asset is assessed as at

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the reporting date and the financial assets are classified into three categories based on the number of days of past due: -

Stage – 1- 0-30 days

Stage – 2- 31-90 days

Stage – 3- Above 90 days.

The ECL is calculated based on the historical data with due weightage to the likely future events which may affect the cash flows. The Company recognises in statement of profit or loss, as an impairment gain or loss, the amount of Expected Credit Loss (or reversal) that is required to adjust the loss allowance at the reporting date.

Additional provision is made in order to establish a balance in the provision for loans that the Corporation's management considers prudent and adequate keeping in view the unforeseen events and happenings such as change in policy of Government and procedural delays in repayments from the agencies, outcome of pending cases under Insolvency and Bankruptcy code etc.

Modification Loans

The company allows concessions or modification of loan term as a response to the borrower's financial difficulties rather than taking possession or to other wise enforce collection of security. The company considers a loan forborne when such concession or modification are provided as a result of the borrower present and expected financial difficulties and the company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangement and the agreement of new loan condition. Once the term is negotiated, any impairment is measured by taking into account the original and modified parameter. It is the company's policy to monitor forborne loans to help ensure that future payment continues to be likely to occur. De-recognition decisions and classifications between Stage 2 and Stage 3 are determined on a case by case basis. If these procedures identify a loss in relation to loan, it is disclosed and managed as an impaired Stage 3 or forborne asset until it is collected or written off. However, if the modification results into notional gain on account change in expected future value of cash flows, the same shall not be recognized.

When the loan has been renegotiated or modified but not derecognized, the company also reassesses whether there has been a significant increase in credit risk.

5. Leases (Estimates)

Ind AS-116 requires lessees to determine the lease term as the non-cancellable period of a lease adjusted with any option to extend or terminate the lease, if the use of such option is reasonably certain. The Company makes an assessment on the expected lease term on a lease-by-lease basis and thereby assesses whether it is reasonably certain that any options to extend or terminate the contract will be exercised. The lease term in future periods is reassessed to ensure that the lease term reflects the current economic circumstances. Company also used judgement in determining the low value assets as given under the Ind AS-116.

